

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

FARMINGTON CITY CORPORATION
FARMINGTON, UTAH

Fiscal Year Ended
June 30, 2006

Mayor

Scott C. Harbertson

City Council

David S. Hale	Paula Alder
Larry W. Haugen	Rick Dutson
Sid Young	

City Manager

Max Forbush

Finance Director

Keith Johnson

FARMINGTON CITY CORPORATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2006

Table of Contents

I. INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal	5
GFOA Certificate of Achievement	11
City Officials	12
Organization Chart	13
II. FINANCIAL SECTION	
Independent Auditor's Report	15
Management's Discussion and Analysis	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	28
Statement of Activities	29
Fund Financial Statements:	
Balance Sheet- Governmental Funds	30
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Assets	31
Statement of Revenues, Expenditures, and Changes in the Fund Balances -	
Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Balances of Governmental Funds to the Statement of Activities	33
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual:	
General Fund	34
Redevelopment Agency Fund	35
Municipal Building Authority Fund	36
Statement of Net Assets - Proprietary Funds	37
Statement of Revenues, Expenses, and Changes in Fund Net Assets -	
Proprietary Funds	38
Statement of Cash Flows - Proprietary Funds	39
Notes to Financial Statements	41
Required Supplementary Information	
Impact Fee Reporting	66

FARMINGTON CITY CORPORATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2006

II. FINANCIAL SECTION

Page

Supplemental Information:

Combining Balance Sheet- Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	74
Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual (Nonmajor Governmental Funds):	
Sales Tax Revenue Bond - Debt Service	76
G.O. Bond 2003 Park - Debt Service Fund	77
Pool- Shops G.O. Bond- Debt Service Fund	78
Special Improvement District 99-1 - Debt Service Fund	79
Special Improvement District 2003-1 - Debt Service Fund	80
Special Improvement Guarantee - Debt Service Fund	81
Governmental Buildings Improvement- Capital Projects Fund	82
Park Improvement - Capital Projects Fund	83
Capital Equipment- Capital Projects Fund	84
Real Estate Property Assets- Capital Projects Fund	85
Fire Protection- Capital Projects Fund	86
Cemetery Perpetual Care - Permanent Fund	87
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual (Major Governmental Fund)	
Street Improvement - Capital Projects Fund	88
Capital Assets Used in the Operation of Governmental Funds:	
Schedule by Source	90
Schedule by Function and Activity	91
Schedule of Changes by Function and Activity	92

III. STATISTICAL SECTION

Net Assets by Component	94
Changes in Net Assets	95
Governmental Activities Tax Revenues by Source	97
Fund Balances of Governmental Funds	98
Changes in Fund Balances of Governmental Funds	99
General Government Tax Revenue by Source	100

FARMINGTON CITY CORPORATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2006

III. STATISTICAL SECTION

Page

Assessed Value and Estimated Actual Value of Taxable Property	101
Property Tax Rates - Direct and Overlapping Governments	102
Principal Property Taxpayers	103
Property Tax Levies and Collections	104
Ratios of Outstanding Debt by Type	105
Ratios of General Bonded Debt Outstanding	106
Direct and Overlapping Governmental Activities Debt	107
Legal Debt Margin Information	108
Pledged - Revenue Bond Coverage	109
Demographic and Economic Statistics	110
Principal Employers	111
Full-time Equivalent City Government Employees by Function	112
Operating Indicators by Function	113
Capital Asset Statistics by Function	114

IV. OTHER REPORTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	116
State Legal Compliance Report	117
State Legal Compliance Schedule of Findings	119

INTRODUCTORY SECTION



FARMINGTON CITY

SCOTT C. HARBERTSON
MAYOR

PAULA ALDER
RICK DUTSON
DAVID S. HALE
LARRY W. HAUGEN
SID YOUNG
CITY COUNCIL

MAX FORBUSH
CITY MANAGER

November 9, 2006

Honorable Mayor and Members of the City Council
and Citizens of Farmington City
Farmington City Corporation
130 N Main
Farmington UT 84025

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report (CAFR) for Farmington City, Utah, for the fiscal year ended June 30, 2006. This report is in compliance with state law that requires local government to publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement.

With the addition to the fund financial information, the government-wide financial statements, which include the Statement of Net Assets, provide the total net assets of the City including all capital assets (including infrastructure). The Statement of Activities shows the cost of providing governmental services.

This report is published to provide to the City's Governing Body, staff, citizens, the State of Utah, representatives of financial institutions, and other interested persons, detailed information concerning the financial condition of Farmington City. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with City management.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. The City's accounting records for utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and

2. The reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that;
(a) the cost of a control should not exceed the benefits likely to be derived; and
(b) the evaluation of costs and benefits requires estimates and judgements by management.

We believe the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Section 10-6-150 of the Utah Code Unannotated, and section III.D.01 of the State of Utah Uniform Accounting Manual require fourth class cities to prepare an annual financial report, and that an annual audit be conducted by an independent certified public accountant. The City has contracted with Ulrich and Associates, P.C., Certified Public Accountants to do the audit. The independent audit report is included in this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

This CAFR is organized into the following four main sections:

1. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials.
2. The financial section includes the Management's Discussion and Analysis, the independent auditor's report, general purpose financial statements, with the government wide financial statements, the combining and individual fund account group financial statements and other schedules. The Financial Section is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB) and other professional associations as applicable.
3. The statistical section presents financial and demographic information to assist the financial statement reader in obtaining an understanding of the City's financial status, trends and socioeconomic culture.
4. The Other Reports section includes additional independent auditor's reports, as required by Government Audit Standards, and by the State of Utah.

Profile of Farmington City

Farmington City is a fourth class city (population between 10,000 and 30,000), operating under the Council-Mayor form of government, while delegating administrative functions and duties to a City Manager by ordinance. The City Council is comprised of five Council Members plus the Mayor. The City Council establishes policy and procedures pertaining to the overall governance of the City including general direction for the efficient administration, organization, operation, conduct, and business of the City. The City Council approves, adopts, and amends the budget. The City Manager

is appointed by the Mayor and the City Council. The City Manager is responsible for the daily management of the City.

The Mayor and Council members are elected to four-year terms. Every two years elections are held with terms overlapping which helps to facilitate the continuity of the City Council.

The Combined Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria no other governmental organizations are included or excluded in this report.

Major services provided by the City under General Government include the following,

General Government

- General Administration
- Policy Implementation
- Budgeting
- Accounting
- Investments
- Records Management
- Equipment and Vehicle Maintenance
- Buildings and Grounds Maintenance
- Purchasing

Community Development

- Planning and Zoning
- Protective Inspection

Public Safety

- Fire and Police Protection

Highways and Streets

- Street Improvements and Maintenance
- Storm Water Control & Maintenance
- Public Sidewalk

Parks and Cemetery

- Park and Cemetery Maintenance

The City maintains ten parks, which include eight picnic boweries, two tennis courts, soccer and baseball fields and state of the art playground equipment. These are all available for family gatherings, parties and events. The City maintains a trail system in the city and continues to acquire and develop more trails over time.

Major services provided under the Enterprise Fund include Culinary Water, Sanitary Sewer, Storm Drainage, Waste Collections services, Ambulance Service, and Leisure Service activities including youth sports and recreational activities and swimming pool activities.

"Historic Beginnings", as stated on the logo of Farmington City, refers to the early beginnings of the area which began in 1847 when the first settlers arrived. Just one month after the first Mormon pioneer settlers, under the leadership of Brigham Young, entered the Salt Lake Valley, a few families moved further north a short distance to settle the area now known as Farmington City. The settlement was originally called North Cottonwood.

As was the practice in other areas of the valley, the early settlers immediately put the many mountain streams to use by forming systems of irrigation (dams and canals) to water the fertile soil. Farming was the major livelihood of the community for many years with particular emphasis on orchards of apricot, cherry and peach trees.

The area of Farmington was eventually incorporated as a municipality on November 16, 1892, with a population of 1,180 and had grown to 12,801 by 2000 census data. Most of the growth has come in the last three decades. In 1970 the population of Farmington was 2500. Although most of the residents commute to work in Salt Lake City, Ogden, or nearby Hill Air Force Base, the community still enjoys a "rural atmosphere" and places significant emphasis on maintaining this element as part of its general plan goals.

Farmington is a regional center for local government. Farmington is the County seat of Davis County with the first courthouse being built in 1855. The Davis County School District is also headquartered here, which occupies most of block 10 in the City's downtown center.

The City has always tried to be progressive in implementing the newest conveniences for its residents. The first telephone was installed in 1896, the City's culinary water system in 1906 and electricity in 1908. The City continues to be progressive today by striving to be on the cutting edge of open space conservation and trail development.

Farmington City is located approximately 16 miles north of Salt Lake City and 20 miles south of Ogden along the western front of the Wasatch Mountains with the Great Salt Lake directly to the west. The City encompasses about 7.11 square miles. Farmington City is easily accessed by Interstate 15, and US Highway 89, that transverse through the City North to South, with a major junction between I-15 and US Highway 89 in the City. The Salt Lake International Airport can be reached in 20 minutes and Utah Transit Authority (UTA) provides daily mass transit service throughout the City and along the Wasatch Front. A new highway is projected to be built that will provide a new travel corridor through the south end of Davis County and into the Salt Lake metropolitan area. This new highway, called the "Legacy Highway", will junction with I-15 and US Highway 89 in Farmington and run south to the Salt Lake area. Commuter rail from Ogden to Salt Lake is to be completed sometime in 2008. Farmington will be one of the sites for a station along the route.

The City operates an integrated budgetary and accounting system which incorporates the adoption of a formal legal budget. The City Council adopts the annual budget prepared by the Department Heads, City Manager, and Finance Director. This is done by June 22 of each year. State statutes define the legal level of budgetary control at the department level. Expenditures should not exceed appropriations at that level. Financial reports are produced showing budget and actual expenditures, and are distributed monthly to each department head. If needed, the budget is reopened as required to consider necessary adjustments.

Economic Condition and Outlook

Farmington City has experienced a significant growth in population during the past several years. The population has risen from 9,028 in 1990 to 12,081 in 2000. This is a 34 % increase during those 10 years. Large residential developments are being constructed in the west area of Farmington, which could add another 1000 new building lots in the city. These have started to develop the past couple of years and building permits have increased because of them. In this past fiscal year the City issued 401 new residential building permits. This was the highest ever to be issued in a year. Out of the 401 permits, 170 were from a condo type development, and 231 for single family homes. With these new residential developments, and the economic conditions staying favorable, it does not look like this trend will decrease significantly anytime soon. This significant increase in building permits has boosted overall revenues for the City, which is reflected in the financial statements.

With the City being the County seat, it has experienced new government facility construction and development such as the Davis County Fair ground facilities, the county jail and court complex and the Davis County School District Administration building (Richard E. Kimball Building). These facilities have helped to keep the downtown area alive and vibrant.

The retail tax base continues to be a major source of funding for the City. Sales tax revenues during last year increased as the economy grew. The increase came from the state wide collection of sales tax, as the City's direct sales only make up a small portion of what the City receives in total sales tax. Lagoon Corporation, the largest amusement park in the State had a slightly higher amount of sales and revenue than the last couple of years. The City has established a Redevelopment Agency and is hoping to develop more retail, office and commercial space around the new commuter rail station that will be open in 2008. With this mixed use development around the Park Lane area just west of the new U.S. 89 / I-15 interchange appears to be a favorable area for the City to increase it's tax base. The City has started negotiations with a developer for this area and will continue to work through the development agreements to have this project be successful.

The long-term financial planning of the City has been to look for other sources of revenue other than just residential development. The unreserved general fund balance only decreased by a little bit, as revenues came in higher than anticipated. This has been mainly due because the increase in building permit fees, sales tax, and franchise taxes. Thus the City has been able to maintain an unreserved balance that will help the City keep up with the growth that is happening in the City and to provide the necessary services. This unreserved fund balance will be used in necessary capital projects, equipment and personnel to keep the City services at the expected levels for the future.

The City continues to acquire right-of-way for public trails that will eventually connect hillside development along the East bench to the shores of the Great Salt Lake. Bridges and underpasses are being built to permit those using the trails to transverse the City from one side to the other without crossing major streets.

The City finished the construction of west State Street, and 300 West Street, and continued with the engineering of the trail underpass on 400 West to be done in the next year or two.

Awards and Acknowledgments

The City has received the Certificate of Achievement for Excellence in Financial Reporting for the past 5 years.

The preparation of the comprehensive annual financial report was made possible with the dedicated service of the staff of Farmington City. I convey my thanks and sincere appreciation to each of them. I also wish to express appreciation to Charles and Mike Ulrich, the City's auditor's and their staff, for conducting the independent audit and providing assistance in a very professional manner.

In closing, I express appreciation to Mayor Harbertson and members of the City Council for their sincere interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner. I also thank Max Forbush, City Manager, and capable city staff who are dedicated and go the extra mile in providing quality and conscientious service to this community. Farmington's elected, appointed and employed City officials are confident, optimistic and excited about the future of their community, and will continue to devote whatever time and effort is needed to keep Farmington a choice place in which to live.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Johnson", with a stylized flourish at the end.

Keith Johnson,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Farmington City Corporation,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Carla E. Perry

President

Jeffrey R. Enen

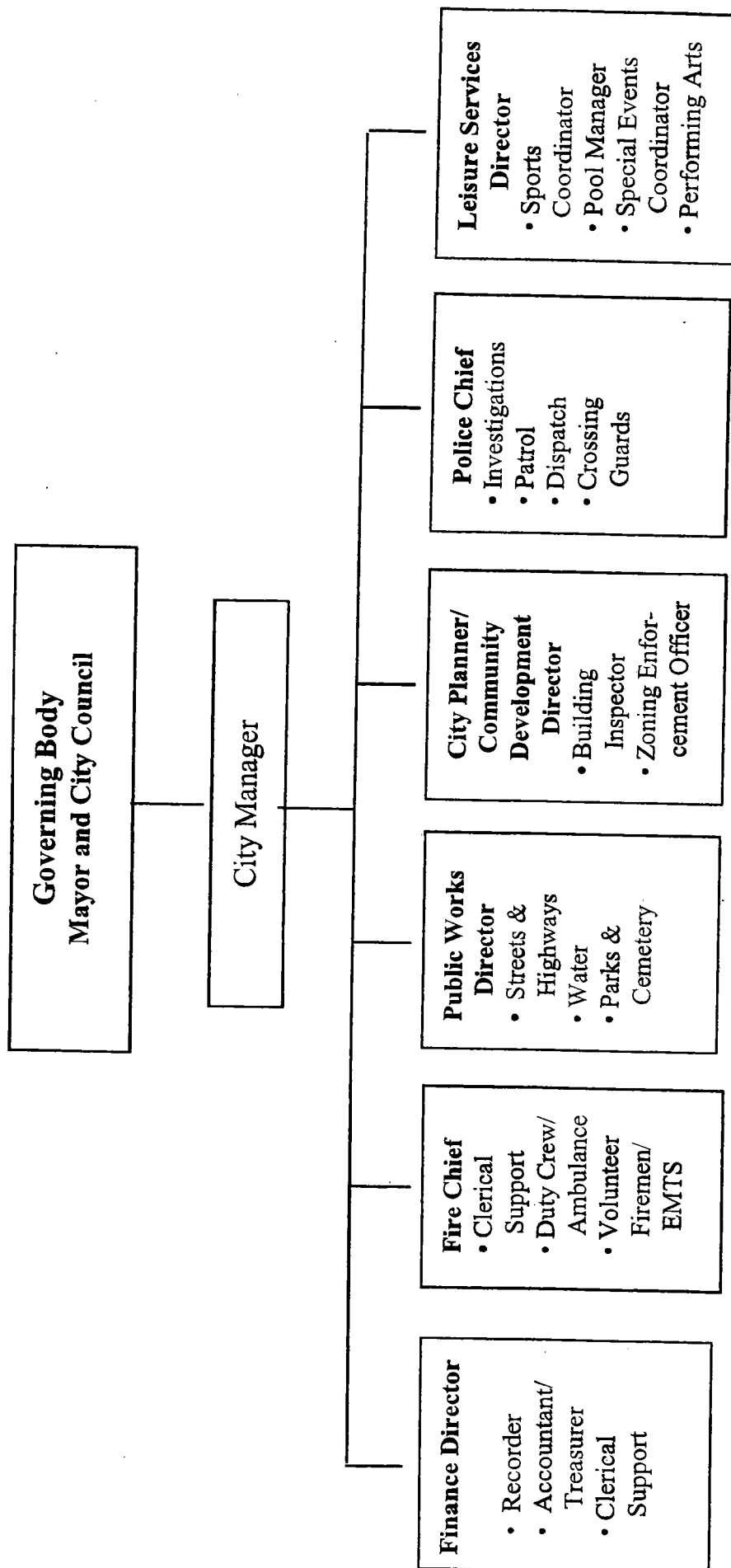
Executive Director

Farmington City Officials

June 30, 2006

Mayor	Scott Harbertson
Council Members	Paula Alder Rick Dutson David S. Hale Larry W. Haugen Sid Young
City Manager	Max Forbush
Recorder	Margy L. Lomax
Treasurer	Gloria Anderson
Finance Director	Keith Johnson
Planning Director	David E. Petersen
Leisure Service Director	Viola Kinney
Public Works Director	Walt Hokanson
Building Official	Eric Miller
Police Chief	Wayne Hansen
Fire Chief	Larry Gregory

Farmington City Organizational Chart



FINANCIAL SECTION

Ulrich & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
Farmington City Corporation

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Farmington City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2006 on our consideration of Farmington City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members of Utah Association of CPAs | American Institute of CPAs

Charles E. Ulrich, CPA | Michael E. Ulrich, CPA
Cathie Hurst, CPA | Heather Christopherson, CPA
website | www.ulrichcpa.com

4991 South Harrison | Ogden, Utah 84403
Tel | 801.627.2100 | Fax | 801.475.6548
email | ulrich@ulrichcpa.com

Management's discussion and analysis and schedules of budgetary comparison information on pages 17-26 and 69 - 90 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Farmington City Corporation's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, impact fee reporting, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, impact fee reporting and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ulrich & Associates, P.C.

November 9, 2006

Management's Discussion and Analysis

This report offers readers of Farmington City's financial statements a narrative overview and analysis from managements perspective of the financial activities of Farmington City for the fiscal year ended June 30, 2006. Readers should consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

Financial Highlights

The assets of Farmington City exceeded its liabilities at the close of the most recent fiscal year by \$52,340,199. Of this amount, \$10,356,412 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase in unrestricted assets of \$2,303,501. Governmental activities increased by \$1,891,477, and Business-type activities increased by \$412,024.

As of the close of the current fiscal year, Farmington City's governmental funds reported combined ending fund balance of \$5,038,216. This is an increase in fund balance from the previous year of \$1,923,121. This increase came mainly from the Street Improvement and other Governmental Funds. The Street Improvement Fund increased as the special improvement district was finished and closed out, which many of the property owners paid their total improvement assessment amounts in full. In the Other Governmental Funds the increase was mainly in the capital projects funds. Of the total fund balance \$79,601 is in reserve, leaving the rest of the balance for spending at the City's discretion.

The City's total debt decreased by \$1,776,993 during the current fiscal year. The City did issue \$312,476 in new special assessment bonds for the special improvement district that was finished. In so doing the City also paid off \$891,018 in interim warrants for the construction costs of the special improvement district that were done. The City also traded in the street sweeper for a new one. This was done with a capital lease for \$126,235. Even with the issuance of new debt, the overall debt of the City decreased with the normal debt payments and also the City was able to pay extra principal on some of the capital lease debt that was outstanding. Currently the City is trying to pay off early some of the capital lease debt that is mainly in the proprietary funds. The City issued this debt to pay for new capital projects due to new developments in the City and is now using the impact fees that the City is collecting from these new developments to pay for this debt.

Overview of Financial Statements

This discussion and analysis portion of the audit report serves as an introduction to Farmington City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This portion of the audit report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Farmington City's finances, in a format similar to what is provided by private-sector businesses.

The statement of net assets presents information pertaining to all of Farmington City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may be useful by indicating whether the financial position of Farmington City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes to net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for events that may result in cash flows in future fiscal periods.

The City's financial statements are distinguished by two different functions. First, governmental activities are those principally supported by taxes and intergovernmental revenues. Second, City business-type activities are those that recover all or a significant portion of their costs through user fees and charges. The governmental activities of Farmington City include general government, public safety, highways and streets, economic development, parks and recreation. The business-type activities of the City include providing water, sewer, storm drainage, garbage, ambulance, and leisure services.

Fund financial statements. A fund is defined as a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. Farmington City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of Farmington City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Farmington City maintains fourteen (14) individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, RDA fund, MBA fund, and street improvement fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Farmington City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Farmington City uses enterprise funds to account for water, sewer, garbage collection, storm drainage, ambulance and leisure services. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, which are shown as major funds of the City.

Permanent funds. Permanent funds are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes to support the City programs. The City has a cemetery perpetual care fund that falls into this category.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Farmington City's collection and usage of impact fees.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of Farmington City, this fiscal year of 2006, turned out to be good year for the City. Total net assets increased by \$5,478,720 from prior year. The main increase was in the governmental activities of \$4,430,887. The unrestricted portion of total assets increased by \$2,303,501, with the main increase being in the governmental activities of \$1,891,477. The overall assets of the City increased and the liabilities decreased from the prior year, with most of the increase coming in the capital assets of \$3,069,803. Having total liabilities decrease by \$1,874,105 shows the willingness of the City to make sure that liabilities are kept in check and having the unrestricted balance increase shows that the City is overall in good financial condition.

By far the largest portion of the Farmington City's net assets is \$41,582,868 in capital assets net of related debt. This reflects its investment in land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. Farmington City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although Farmington City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. As noted above the overall condition of the City is good, as unrestricted net assets increased which means the City can meet the ongoing obligations and liabilities that the City has.

Net Assets
June 30, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	9,412,256	7,560,144	2,660,245	2,195,862	12,072,501	9,756,006
Capital assets	35,528,148	34,667,637	14,804,382	14,376,773	50,332,530	49,044,410
Total assets	44,940,404	42,227,781	17,464,627	16,572,635	62,415,164	58,800,416
Other liabilities	712,933	1,746,816	500,842	448,483	1,213,775	2,195,299
Long-term liabilities outstanding	7,451,323	8,135,704	1,399,734	1,607,934	8,851,057	9,743,638
Total liabilities	8,164,256	9,882,520	1,900,576	2,056,417	10,064,832	11,938,937
Net assets:						
Invested in capital assets, net of related debt	28,178,220	25,744,226	13,404,648	12,768,839	41,582,868	38,513,065
Restricted	364,668	259,252	36,251	36,251	400,919	295,503
Unrestricted	8,233,260	6,341,783	2,123,152	1,711,128	10,356,412	8,052,911
Total net assets	36,776,148	32,345,261	15,564,051	14,516,218	52,340,199	46,861,479

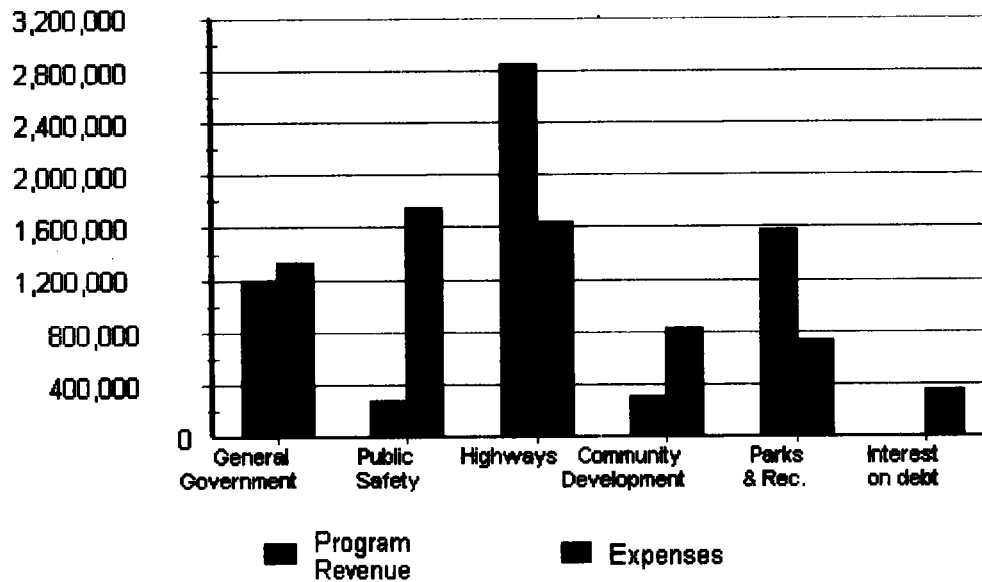
Governmental activities. Governmental activities are reflected in the government-wide activities statement. The governmental activities had an increase in net assets of \$4,430,887.

Taxes are the main source of revenues, and account for over 42% of the total revenue. Property taxes account for over 46 % of the total taxes and over 19% of the total revenue. Property taxes increased a little more than 13% from last year. Sales tax jumped significantly from the previous year at a 17% increase. Franchise and energy taxes saw an increase in 16 % as the development of new homes continue to be at a high pace. Charges for services increased significantly as a record number of building permits were issued. There were 401 new permits issued, of which 170 new permits were issued in a new condo type development alone. Also impact fees, which are part of charges for services, increased as more developments were approved and started. Capital grants and contributions increased significantly as more subdivisions were finished this year, with the streets and infrastructure being contributed and dedicated to the City. The special improvement district was also closed and the prepayments of over \$1,029,219 were received and are part of capital grants and contributions.

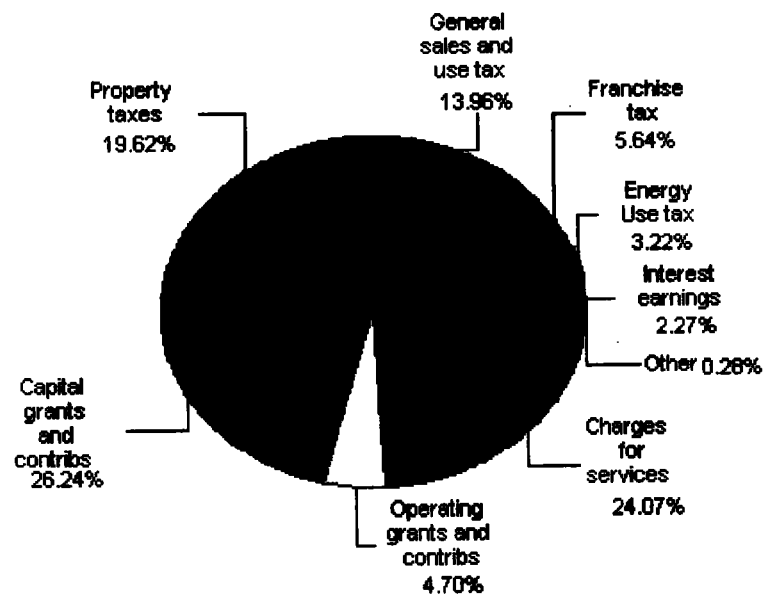
The greatest change in expenditures occurred in the community development, public safety and highways and public works. This was mainly due to additional personnel and increases in professional fees in these departments. All other expense categories increased somewhat as costs continue to rise.

Business-type activities. Business-type activities increased the City's net assets by \$1,047,833, which is a 7% growth in net assets. Total revenues increased from the prior year, which was mainly due to more subdivisions dedicating the water, and storm sewer lines over to the City. Charges for services increased about 5% from prior year. The majority of revenues in business-type activities is in charges for services, which is around 87 % of the total revenues.

Expenses and Program Revenues Governmental Activities



Revenue By Source Governmental Activities



Changes in Net Assets

June 30, 2006

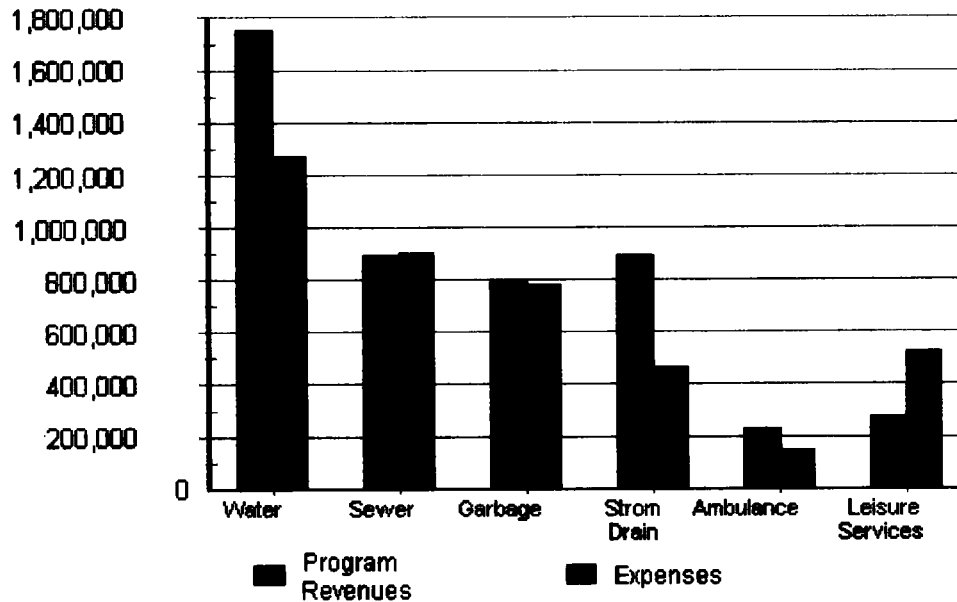
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	2,718,971	1,632,036	4,299,910	4,091,299	7,018,881	5,723,335
Operating grants and contribs	530,993	441,796	12,110	6,315	543,103	448,111
Capital grants and contribs	2,964,152	198,995	507,507	117,751	3,471,659	316,746
General revenues:						
Property taxes	2,215,921	1,946,627	-	-	2,215,921	1,946,627
General sales and use tax	1,576,348	1,342,693	-	-	1,576,348	1,342,693
Franchise tax	637,482	583,867	-	-	637,482	583,867
Energy & use tax	363,841	273,371	-	-	363,841	273,371
Interest earnings	256,962	175,603	81,847	43,123	338,809	218,726
Other	31,239	12,293	(11,187)	-	20,052	12,293
Total revenues	<u>11,295,909</u>	<u>6,607,281</u>	<u>4,890,187</u>	<u>4,258,488</u>	<u>16,186,096</u>	<u>10,865,769</u>
Expenses:						
General government	1,331,944	1,445,119	-	-	1,331,944	1,445,119
Public safety	1,740,778	1,587,507	-	-	1,740,778	1,587,507
Highways and public works	1,632,737	1,492,849	-	-	1,632,737	1,492,849
Community Development	826,144	603,307	-	-	826,144	603,307
Parks and recreation	735,531	716,051	-	-	735,531	716,051
Interest on long-term debt	353,615	396,046	-	-	353,615	396,046
Water Utility	-	-	1,271,429	1,169,108	1,271,429	1,169,108
Sewer Utility	-	-	904,739	831,776	904,739	831,776
Garbage Utility	-	-	775,135	720,574	775,135	720,574
Storm Water Utility	-	-	467,803	425,805	467,803	425,805
Ambulance Service	-	-	141,319	107,068	141,319	107,068
Leisure & Special Events	-	-	526,202	508,790	526,202	508,790
Total expenses	<u>6,620,749</u>	<u>6,240,879</u>	<u>4,086,627</u>	<u>3,763,121</u>	<u>10,707,376</u>	<u>10,004,000</u>
Increase in net assets before transfers	<u>4,675,160</u>	<u>366,402</u>	<u>803,560</u>	<u>495,367</u>	<u>5,478,720</u>	<u>861,769</u>
Transfers	<u>(244,273)</u>	<u>(217,751)</u>	<u>244,273</u>	<u>217,751</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>4,430,887</u>	<u>148,651</u>	<u>1,047,833</u>	<u>713,118</u>	<u>5,478,720</u>	<u>861,769</u>
Net assets - beginning	<u>32,345,261</u>	<u>32,196,610</u>	<u>14,516,218</u>	<u>13,803,100</u>	<u>46,861,479</u>	<u>45,999,710</u>
Net assets - ending	<u><u>36,776,148</u></u>	<u><u>32,345,261</u></u>	<u><u>15,564,051</u></u>	<u><u>14,516,218</u></u>	<u><u>52,340,199</u></u>	<u><u>46,861,479</u></u>

Financial Analysis of the Government's Funds

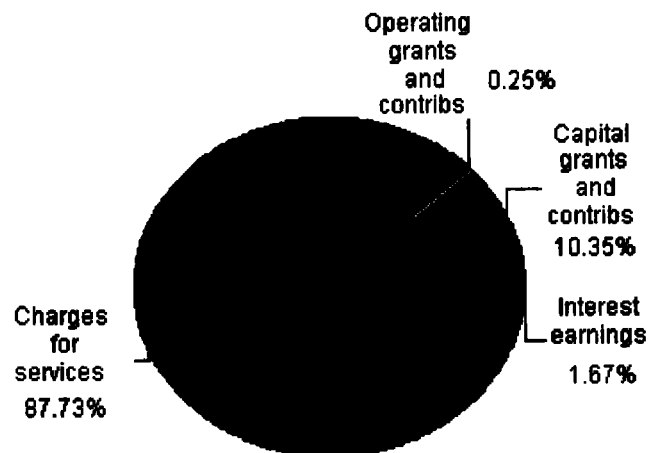
The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2006, the City's governmental funds reported combined ending fund balance of \$5,038,216. This is an increase of \$1,923,121 from last year. The general fund is the chief operating fund of the City, which ended with a fund balance of \$1,209,219. This is an increase of \$60,878 from 2005. This was because revenues outpaced expenditures. Revenues increased by almost 19%, where as expenditures only increased by 13%. There was more transferred to capital project funds also.

Expenses and Program Revenues Business-Type Activities



Revenues By Source Business-Type Activities



Taxes continue to be the largest source of revenue in the General Fund and represents 65% of the total general fund revenues. The largest element of taxes is sales tax as it has been for many years. It makes up for about 41% of total taxes collected. This amount is up \$233,655 from a year ago as sales tax revenues rose over 17%. This increase was from the overall state pooled amount that the City receives, as the direct sales from the City did not increase that much. This was a surprise to the City as the overall economy was said not to be that good, but here in Utah we continue to see strong growth. Overall taxes increased by \$432,538 or about 13% from prior year. This is the largest increase that the City has seen without raising any taxes.

As far as expenditures in the general fund, the overall increase was almost 13%. Part of the increase was in the community development department as more personnel were hired to meet the demand of the building inspection and development projects that have been coming in to the City. There were other personnel added and increases in overall costs in some of the other departments that pushed total expenditures up.

The capital street improvement fund increased in fund balance as the special improvement district construction was finished and closed out. Over \$1,029,219 was received in prepayments from special improvement assessments. The remaining balance of \$312,476 was financed through a special assessment bond.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City maintains several enterprise funds which account for proprietary funds.

As reported on the Statement of Activities, all of the proprietary funds, except for the Sewer Utility and Leisure Services, had program revenues sufficient to cover expenses. This is a good sign that the program revenues are covering the cost of providing these services to the residents. The Sewer Fund did not quite cover expenses, but with interest earnings it almost covers the shortage and there is enough in the fund balance to cover this minor amount. The City will continue to monitor this fund to ensure that future charges for services will cover expenses. The City does not want to use up all of the fund balance. Leisure services receives a transfer from the General Fund to cover for the overhead costs to run Leisure Service department, but the individual programs do cover their own expenses.

The water and storm drainage enterprise fund increased in total assets as the contribution of infrastructure from developers for water lines and storm drainage lines in subdivisions that were donated to the City. Another change came in the water fund as the City was able to pay extra on some capital leases as water impact fees have increased with all of the development and building permits that have been issued.

General Fund Budgetary Highlights

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$4,134,555 to the final budget of \$4,389,295.

The increases were added mainly to cover the additional expense in the planning and zoning and inspection departments. With the increase in building permits and development projects the City had to hire some

more personnel to help with the work load. The City also increased transfers to capital projects to set aside funds to help pay for the new police station and addition to the City offices that the City wants to start in 2007 if the general obligation bond passes in the November election.

The budget was increased in revenues, as taxes, building permits and development costs were coming in much higher than what was first anticipated, which have been mentioned above.

Capital Assets and Debt Administration.

The governmental activities capital assets increased from the previous year, as developers contributed the land for the streets and the streets themselves and infrastructure included therein. The business-type activities also had increases due to the same reason as developments were finished and contributed to the City. Please refer to the notes on pages 54 and 55 for more detailed information for capital asset activity and pages 57 to 61 for details on long-term debt activity.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	11,542,671	11,293,481	131,662	131,662	11,674,333	11,425,143
Water rights & easements	-	-	15,717	15,717	15,717	15,717
Buildings	6,672,712	6,451,825	-	-	6,672,712	6,451,825
Improvements	6,055,154	5,810,443	9,730,341	9,224,086	15,785,495	15,034,529
Machinery & Equipment	3,529,963	3,289,298	8,789,982	8,595,106	12,319,945	11,884,404
Infrastructure	23,377,496	21,886,796	1,268,452	1,055,974	24,645,948	22,942,770
Total	51,177,996	48,731,843	19,936,154	19,022,545	71,114,150	67,754,388

During the current fiscal year, Farmington City issued the following debt:

- Issued \$312,476 in special assessment bonds for the special improvement district that was finished.
- A lease for a new street sweeper truck of \$126,235.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	2,515,000	2,765,000	-	-	2,515,000	2,765,000
Revenue Bonds	4,226,680	4,815,755	1,147,320	1,266,245	5,374,000	6,082,000
Short Term Notes	-	891,018	-	-	-	891,018
Special Assessment Bonds	486,476	198,000	-	-	486,476	198,000
Capital Leases	126,462	258,328	252,414	336,999	378,876	595,327
Total	7,354,618	8,928,101	1,399,734	1,603,244	8,754,352	10,531,345

Economic Factors and Next Year's Budgets and Rates

The major economic factors that have affected Farmington City this past year have been the increase in building permits, with mainly the development of residential properties. This has fueled the need for the City to amend the transportation master plan, which was done. The other main issue is the increases in revenue from taxes, especially from sales tax and franchise and energy taxes. The economy here in Utah has stayed strong and with sales tax increasing by 17%. This has been a good benefit to the City as it plans for future needs in buildings and personnel. There are about 300 more condo type houses planned along the west side of U.S. 89, which will be developed this next year. This will also help in making that area a viable option for some commercial development in the future.

The City has established an RDA area west of I-15 and where the new commuter rail station will be built. Commuter rail will be open in 2008. This area is planned for a mixed use development with retail, office space, hotel, housing and commercial uses. The City is in negotiations with developers about this project area and they want to develop about 100 acres around the commuter rail site. The City is working hard to ensure this area is developed into an attractive and top quality development that will not have any negative impact on Farmington as a nice and beautiful area to live. Along with that development there are a couple hundred acres to the north that are not in the RDA which will be opened up for development. The City is planning on having a class 'A' office park in this area. The City would like this area to be developed at the same time the RDA commuter rail area is developed. This will help in opening up jobs here in the community as there is currently no office park area in Davis County. This will greatly enhance the tax base for the City.

It appears that next year will continue with the high rate of residential building in the City and the continued growth in revenues to the City. This will help offset the added expenses that this growth causes, such as increases in City personnel and the higher costs of doing business as the higher costs of energy has caused materials and supplies to increase. The City will be able to keep up with the increased costs, as long as the economy is doing well and if building permits continue at the rate they are. Sales taxes do not appear to be slowing down any for next year, but that could all change in 2007.

The City has started planning for a new police station to be built, an addition to city hall and the remodel of the current police and fire station. The City plans to do a general obligation bond for these projects, with the election held at the same time as the election in November. The police are now over crowded and the City cannot hire any more officers until a new building is built and the city offices are also over crowded with the new personnel that have been added the last few years. The Fire Department cannot expand coverage to cover 24 hours a day until the police are moved out of the current building and living quarters are put in. With these issues facing the City, the decision has been made to pursue these projects at this time. If the bond election passes, then the construction of these facilities could start in the spring of 2007. The City was able, because of the increases to revenues this past year, transfer \$500,000 to the capital building fund to be used for construction of these buildings, with the bond proceeds.

Request for information

This financial report is designed to provide a general overview of Farmington City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Farmington City, Finance Director, P.O. Box 160, Farmington UT 84025.



BASIC FINANCIAL STATEMENTS

FARMINGTON CITY CORPORATION

Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,768,473	2,216,418	5,984,891
Cash with fiscal agents	1,193,766	2,334	1,196,100
Accounts receivable - net	-	410,088	410,088
Property, sales, & franchise taxes receivable	2,119,822	-	2,119,822
Other receivables	77,904	31,405	109,309
Capital lease receivable	1,830,000	-	1,830,000
Special assessments receivable	353,557	-	353,557
Deferred bond financing cost - net	68,734	-	68,734
Capital assets (net of accumulated depreciation):			
Land	11,542,671	131,662	11,674,333
Water rights & easements	-	15,717	15,717
Buildings	5,333,315	-	5,333,315
Improvements	3,401,364	14,068,223	17,469,587
Equipment	1,210,298	588,780	1,799,078
Infrastructure	14,040,500	-	14,040,500
Total assets	44,940,404	17,464,627	62,405,031
LIABILITIES			
Accounts payable and accrued liabilities	183,976	476,428	660,404
Construction bonds held	440,020	-	440,020
Due to subdividers and land owners	-	17,000	17,000
Accrued interest payable	88,937	7,414	96,351
Capital lease payable - current	75,849	72,135	147,984
Loan payable revenue bonds - current	937,326	122,150	1,059,476
Bond Premium - net	10,392	-	10,392
Capital lease payable - noncurrent	50,613	180,279	230,892
Loan payable revenue bonds - noncurrent	6,286,140	1,025,170	7,311,310
Compensated absences	91,003	-	91,003
Total liabilities	8,164,256	1,900,576	10,064,832
NET ASSETS			
Invested in capital assets, net of related debt	28,178,220	13,404,648	41,582,868
Restricted for:			
Roads	75,357	-	75,357
Liquor law	1,624	-	1,624
Debt service	-	36,251	36,251
Perpetual care:			
Expendable	2,620	-	2,620
Nonexpendable	285,067	-	285,067
Unrestricted	8,233,260	2,123,152	10,356,412
Total net assets	\$ 36,776,148	15,564,051	52,340,199

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION

Statement of Activities

For the Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Revenues & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,331,944	945,345	7,320	242,064	(137,215)	-
Public safety	1,740,778	229,142	50,545	-	(1,461,091)	-
Highways and public works	1,632,737	-	473,128	2,375,923	1,216,314	-
Community Development	826,144	309,118	-	-	(517,026)	-
Parks and recreation	735,531	1,235,366	-	346,165	846,000	-
Interest on long-term debt	353,615	-	-	-	(353,615)	-
Total governmental activities	6,620,749	2,718,971	530,993	2,964,152	(406,633)	-
Business-type activities:						
Water utility	1,271,429	1,465,806	-	281,187	-	475,564
Sewer utility	904,739	893,122	-	-	-	(11,617)
Garbage utility	775,135	793,461	-	-	-	18,326
Storm water utility	467,803	669,426	-	222,320	-	423,943
Ambulance service	141,319	208,061	12,110	4,000	-	82,852
Leisure & special events	526,202	270,034	-	-	-	(256,168)
Total business-type activities	4,086,627	4,299,910	12,110	507,507	-	732,900
Total primary government	\$ 10,707,376	7,018,881	543,103	3,471,659	(406,633)	732,900
						326,267
General revenues:						
Property taxes					2,215,921	2,215,921
General sales and use tax					1,576,348	1,576,348
Franchise tax					637,482	637,482
Energy use tax					363,841	363,841
Interest earnings					256,962	81,847
Gain (loss) on sale of assets					2,151	(11,187)
Miscellaneous					29,088	-
Transfers					(244,273)	244,273
Total general revenues					4,837,520	314,933
Change in net assets					4,430,887	1,047,833
Net assets - beginning					32,345,261	14,516,218
Net assets - ending					\$ 36,776,148	15,564,051
						52,340,199

The notes to the financial statements are an integral part of this statement.

FARMINGTON CITY CORPORATION

Balance Sheet

Governmental Funds

For the Year Ended June 30, 2006

	General Fund	Special Revenue		Capital Projects	Other Governmental Funds	Total Governmental Funds
		Redevelopment Agency	Municipal Building Authority	Street Improvement		
ASSETS						
Cash and cash equivalents	\$ 1,057,339	173,641	-	565,308	1,972,185	3,768,473
Cash with fiscal agents	-	307,488	433,160	388,014	65,104	1,193,766
Receivables (net):						
Sales, property, & franchise taxes	1,690,140	-	-	-	429,682	2,119,822
Accounts	77,904	-	-	-	-	77,904
Capital lease receivable	-	-	1,830,000	-	-	1,830,000
Special assessments	-	-	-	-	353,557	353,557
Due from other funds	42,500	-	-	-	15,000	57,500
Total assets	2,867,883	481,129	2,263,160	953,322	2,835,528	9,401,022
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable & accrued liabilities	143,644	24,528	-	7,188	8,616	183,976
Construction bonds held	440,020	-	-	-	-	440,020
Due to other funds	-	42,500	-	-	15,000	57,500
Deferred revenue	1,075,000	-	1,830,000	-	776,310	3,681,310
Total liabilities	1,658,664	67,028	1,830,000	7,188	799,926	4,362,806
Fund Balances:						
Reserved:						
Class C road	75,357	-	-	-	-	75,357
Liquor law	1,624	-	-	-	-	1,624
Perpetual care	-	-	-	-	2,620	2,620
Unreserved, designated:						
Self insurance	50,000	-	-	-	-	50,000
Unreserved, reported in:						
General fund	1,082,238	-	-	-	-	1,082,238
Special revenue funds	-	414,101	433,160	-	-	847,261
Debt service funds	-	-	-	-	274,349	274,349
Capital projects funds	-	-	-	946,134	1,473,566	2,419,700
Permanent fund	-	-	-	-	285,067	285,067
Total fund balances	1,209,219	414,101	433,160	946,134	2,035,602	5,038,216
Total liabilities and fund balances	\$ 2,867,883	481,129	2,263,160	953,322	2,835,528	9,401,022

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Total fund balances - governmental fund types:	\$ 5,038,216
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,528,148
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Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,750,044
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Also issuance costs, premiums, discounts are not currently expensed but amortized over the life of the loan.	<u>(7,540,260)</u>
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Net assets of government activities	<u>\$ 36,776,148</u>
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The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue			Capital Projects	Other	Total
	General	Redevelopment	Municipal	Street	Governmental	Total
	Fund	Agency	Building Authority	Improvement	Funds	Governmental Funds
REVENUES:						
Taxes	\$ 3,814,604	228,218	-	-	380,323	4,423,145
Special assessments	-	-	-	1,029,030	64,081	1,093,111
Leases	-	-	420,857	-	-	420,857
Licenses and permits	785,708	-	-	-	-	785,708
Intergovernmental	530,993	-	-	144,480	90,288	765,761
Charges for services	384,605	-	-	-	-	384,605
Impact fees	-	-	-	362,821	872,545	1,235,366
Fines and forfeitures	229,142	-	-	-	-	229,142
Interest	34,403	17,225	15,664	28,725	65,088	161,105
Miscellaneous revenue	59,113	-	-	-	54,125	113,238
Contributions	-	-	-	284,998	25,900	310,898
Total revenues	<u>5,838,568</u>	<u>245,443</u>	<u>436,521</u>	<u>1,850,054</u>	<u>1,552,350</u>	<u>9,922,936</u>
EXPENDITURES:						
Current:						
General government	799,232	71,306	800	-	-	871,338
Public safety	1,599,474	-	-	-	-	1,599,474
Highways and public works	549,641	-	-	-	-	549,641
Community development	816,952	-	-	-	-	816,952
Parks and cemetery	474,091	-	-	-	-	474,091
Capital outlay	-	1,220	-	689,452	795,248	1,485,920
Debt service:						
Principal retirement	-	91,000	325,000	891,018	578,941	1,885,959
Interest and fiscal charges	-	38,368	110,145	17,708	194,377	360,598
Bond issuance costs	-	-	-	26,196	-	26,196
Total expenditures	<u>4,239,390</u>	<u>201,894</u>	<u>435,945</u>	<u>1,624,374</u>	<u>1,568,566</u>	<u>8,070,169</u>
Excess revenues over (under) expenditures	<u>1,599,178</u>	<u>43,549</u>	<u>576</u>	<u>225,680</u>	<u>(16,216)</u>	<u>1,852,767</u>
Other financing sources (uses):						
Special assessment bonds issued	-	-	-	312,476	-	312,476
Sale of assets	2,151	-	-	-	-	2,151
Transfers in	10,132	-	-	371,467	1,199,008	1,580,607
Transfers (out)	(1,550,583)	(28,411)	-	(80,507)	(165,379)	(1,824,880)
Total other financing sources and uses	<u>(1,538,300)</u>	<u>(28,411)</u>	<u>-</u>	<u>603,436</u>	<u>1,033,629</u>	<u>70,354</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>60,878</u>	<u>15,138</u>	<u>576</u>	<u>829,116</u>	<u>1,017,413</u>	<u>1,923,121</u>
Fund balances - beginning of year	<u>1,148,341</u>	<u>398,963</u>	<u>432,584</u>	<u>117,018</u>	<u>1,018,189</u>	<u>3,115,095</u>
Fund balances - end of year	<u>\$ 1,209,219</u>	<u>414,101</u>	<u>433,160</u>	<u>946,134</u>	<u>2,035,602</u>	<u>5,038,216</u>

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds.	\$ 1,923,121
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(464,864)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,370,822
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,592,909
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	8,899
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Change in net assets of governmental activities	<u>\$ 4,430,887</u>
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The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,370,500	3,651,000	3,814,604	163,604
Licenses and permits	413,400	767,400	785,708	18,308
Intergovernmental	454,300	493,294	530,993	37,699
Charges for services	131,000	320,984	384,605	63,621
Fines and forfeitures	245,000	220,000	229,142	9,142
Interest	5,815	34,015	34,403	388
Miscellaneous revenue	32,800	54,519	59,113	4,594
Total revenues	4,652,815	5,541,212	5,838,568	297,356
EXPENDITURES:				
Current:				
General government:				
Legislative	150,580	110,280	95,388	14,892
Administrative	461,992	463,396	426,382	37,014
Government buildings	243,160	294,730	277,462	17,268
Total general government	855,732	868,406	799,232	69,174
Public safety:				
Police	1,260,290	1,276,937	1,252,073	24,864
Fire	344,269	355,053	347,401	7,652
Total public safety	1,604,559	1,631,990	1,599,474	32,516
Highways and public works	541,936	572,450	549,641	22,809
Community development:				
Planning and zoning	405,370	518,717	514,031	4,686
Inspection	234,792	313,182	302,921	10,261
Total community development	640,162	831,899	816,952	14,947
Parks and cemetery	492,166	484,550	474,091	10,459
Total expenditures	4,134,555	4,389,295	4,239,390	149,905
Excess revenues over (under) expenditures	518,260	1,151,917	1,599,178	447,261
OTHER FINANCING SOURCES (USES):				
Sale of assets	3,000	3,000	2,151	(849)
Transfers in	13,400	10,000	10,132	132
Transfers (out)	(1,008,527)	(1,566,388)	(1,550,583)	15,805
Total other financing sources and uses	(992,127)	(1,553,388)	(1,538,300)	15,088
Excess of revenues and other sources over (under) expenditures and other uses	(473,867)	(401,471)	60,878	462,349
Fund balances - beginning of year	1,148,341	1,148,341	1,148,341	-
Fund balances - end of year	\$ 674,474	746,870	1,209,219	462,349

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Redevelopment Agency Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 220,000	228,219	228,218	(1)
Interest	600	11,400	17,225	5,825
Total revenues	220,600	239,619	245,443	5,824
EXPENDITURES				
Current:				
General government	40,700	87,100	71,306	15,794
Capital projects	259,552	3,000	1,220	1,780
Principal retirement	91,000	91,000	91,000	-
Interest	40,668	38,168	38,368	(200)
Total expenditures	431,920	219,268	201,894	17,374
Excess revenues over (under) expenditures	(211,320)	20,351	43,549	23,198
Other financing sources (uses):				
Transfers (out)	(31,000)	(28,411)	(28,411)	-
Total	(31,000)	(28,411)	(28,411)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(242,320)	(8,060)	15,138	23,198
Fund balances - beginning of year	398,963	398,963	398,963	-
Fund balances - end of year	\$ 156,643	390,903	414,101	23,198

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Municipal Building Authority Fund
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Lease revenue	\$ 432,145	432,145	420,857	(11,288)
Interest	5,000	5,000	15,664	10,664
Total revenues	<u>437,145</u>	<u>437,145</u>	<u>436,521</u>	<u>(624)</u>
EXPENDITURES				
Current:				
General government	2,000	2,000	800	1,200
Principal retirement	325,000	325,000	325,000	-
Interest	<u>110,145</u>	<u>110,145</u>	<u>110,145</u>	<u>-</u>
Total expenditures	<u>437,145</u>	<u>437,145</u>	<u>435,945</u>	<u>1,200</u>
Excess revenues over (under) expenditures	-	-	576	576
Fund balances - beginning of year	<u>432,584</u>	<u>432,584</u>	<u>432,584</u>	<u>-</u>
Fund balances - end of year	<u>\$ 432,584</u>	<u>432,584</u>	<u>433,160</u>	<u>576</u>

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Business-Type Activities - Enterprise						
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Leisure & Special Events	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 934,381	367,396	191,537	466,482	166,377	90,245	2,216,418
Accounts receivable	308,467	-	-	-	125,516	-	433,983
Allowance for doubtful accounts	-	-	-	-	(23,895)	-	(23,895)
Other receivables	30,584	-	-	-	821	-	31,405
Total current assets	1,273,432	367,396	191,537	466,482	268,819	90,245	2,657,911
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	-	2,334	-	-	2,334
Water stock & rights	15,717	-	-	-	-	-	15,717
Land, equipment, buildings and Improvements	13,787,711	13,879	346,887	5,242,728	395,150	134,082	19,920,437
Less: accumulated depreciation	(3,234,116)	(8,793)	(216,211)	(1,376,193)	(171,298)	(125,161)	(5,131,772)
Total noncurrent assets	10,569,312	5,086	130,676	3,868,869	223,852	8,921	14,806,716
Total assets	11,842,744	372,482	322,213	4,335,351	492,671	99,166	17,464,627
LIABILITIES							
Current liabilities:							
Accounts payable and Accrued liabilities	54,407	280,567	58,119	45,638	12,319	25,378	476,428
Accrued capital lease interest	3,180	-	-	186	-	-	3,366
Current portion capital lease	31,226	-	-	40,909	-	-	72,135
Accrued revenue bond interest	778	-	-	3,270	-	-	4,048
Current portion revenue bonds	21,150	-	-	101,000	-	-	122,150
Total current liabilities	110,741	280,567	58,119	191,003	12,319	25,378	678,127
Noncurrent liabilities:							
Due to subdividers and Land owners	17,000	-	-	-	-	-	17,000
Capital lease (net current portion)	90,793	-	-	89,486	-	-	180,279
Revenue bonds (Net current portion)	200,170	-	-	825,000	-	-	1,025,170
Total noncurrent liabilities	307,963	-	-	914,486	-	-	1,222,449
Total liabilities	418,704	280,567	58,119	1,105,489	12,319	25,378	1,900,576
Net Assets:							
Invested in capital assets, Net of related debt	10,225,973	5,086	130,676	2,810,140	223,852	8,921	13,404,648
Unrestricted	1,198,067	86,829	133,418	419,722	256,500	64,867	2,159,403
Total net assets	\$ 11,424,040	91,915	264,094	3,229,862	480,352	73,788	15,564,051

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds						
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Leisure & Special Events	Total
Operating revenues:							
Charges for services	\$ 981,646	893,122	793,461	466,933	208,061	270,034	3,613,257
Connection and servicing	83,720	-	-	-	-	-	83,720
Development/Impact fees	374,712	-	-	202,493	-	-	577,205
Miscellaneous	25,728	-	-	-	-	-	25,728
Total operating revenues	1,465,806	893,122	793,461	669,426	208,061	270,034	4,299,910
Operating expenses:							
Salaries and wages	295,229	36,414	37,609	80,499	18,484	207,989	676,224
Employee benefits	104,518	12,799	9,836	32,823	1,869	59,428	221,273
Contract services	-	814,308	681,167	41,685	15,566	-	1,552,726
Maintenance and supplies	398,440	26,320	11,845	117,191	34,163	205,409	793,368
Administration and overhead	75,505	13,759	11,252	22,837	25,649	45,798	194,800
Depreciation	317,275	1,139	23,426	127,426	45,588	7,578	522,432
Water purchases	62,124	-	-	-	-	-	62,124
Total operating expenses	1,253,091	904,739	775,135	422,461	141,319	526,202	4,022,947
Operating income	212,715	(11,617)	18,326	246,965	66,742	(256,168)	276,963
Nonoperating revenues (expenses):							
Sale of assets	-	-	-	(11,187)	-	-	(11,187)
Grant revenue	-	-	-	-	12,110	-	12,110
Interest revenue	32,389	12,833	8,053	18,961	6,630	2,981	81,847
Interest expense and fiscal charges	(18,338)	-	-	(45,342)	-	-	(63,680)
Total nonoperating revenues (expenses)	14,051	12,833	8,053	(37,568)	18,740	2,981	19,090
Income (loss) before contributions and transfers:							
Contributions	281,187	-	-	222,320	4,000	-	507,507
Transfers in	-	-	-	-	-	244,273	244,273
Total income before contributions and transfers	281,187	-	-	222,320	4,000	244,273	751,780
Change in net assets	507,953	1,216	26,379	431,717	89,482	(8,914)	1,047,833
Total net assets - beginning	10,916,087	90,699	237,715	2,798,145	390,870	82,702	14,516,218
Total net assets - ending	\$ 11,424,040	91,915	264,094	3,229,862	480,352	73,788	15,564,051

The accompanying notes are an integral part of the financial statements.

FARMINGTON CITY CORPORATION

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds						Total
	Water Utility	Sewer Utility	Garbage Utility	Storm Water Utility	Ambulance Service	Leisure & Special Events	
Cash Flows From Operating Activities							
Receipts from customers	\$ 1,451,419	893,122	793,461	669,426	191,831	270,034	4,269,293
Payments to suppliers	(588,181)	(787,540)	(702,017)	(139,587)	(79,156)	(253,489)	(2,549,970)
Payments to employees	(399,747)	(49,213)	(47,445)	(113,322)	(20,353)	(267,417)	(897,497)
Net cash provided (used) by operating activities	463,491	56,369	43,999	416,517	92,322	(250,872)	821,826
Cash Flows From Noncapital Financing Activities							
Contributions	-	-	-	-	4,000	-	4,000
Grants	-	-	-	-	12,110	-	12,110
Transfers from other funds	-	-	-	-	-	244,273	244,273
Net cash provided (used) by noncapital financing activities	0	-	-	0	16,110	244,273	260,383
Cash Flows From Capital and Related Financing Activities							
Purchases of capital assets	(85,123)	(4,149)	(19,579)	(134,038)	(148,867)	(7,601)	(399,357)
Principal paid on capital debt	(148,324)	-	-	(122,404)	-	-	(270,728)
Interest paid on capital debt	(15,683)	-	-	(41,679)	-	-	(57,362)
Net cash provided (used) by capital and related financing activities	(249,130)	(4,149)	(19,579)	(298,121)	(148,867)	(7,601)	(727,447)
Cash Flows From Investing Activities							
Interest and dividends received	32,389	12,833	8,053	18,961	6,630	2,981	81,847
Net cash provided (used) by investing activities	32,389	12,833	8,053	18,961	6,630	2,981	81,847
Net increase (decrease) in cash and cash equivalents	246,750	65,053	32,473	137,357	(33,805)	(11,219)	436,609
Cash and cash equivalents - beginning	690,474	302,343	159,064	331,459	200,182	101,464	1,784,986
Cash and cash equivalents - end	\$ 937,224	367,396	191,537	468,816	166,377	90,245	2,221,595
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 212,715	(11,617)	18,326	246,965	66,742	(256,168)	276,963
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	317,275	1,139	23,426	127,426	45,588	7,578	522,432
(Inc)/decrease in accounts rec.	(14,387)	-	-	-	(16,230)	-	(30,617)
Increase (decr.) in accounts payable	(52,112)	66,847	2,247	42,126	(3,778)	(2,282)	53,048
Total adjustments	250,776	67,986	25,673	169,552	25,580	5,296	544,863
Net cash provided (used) by operating activities	\$ 463,491	56,369	43,999	416,517	92,322	(250,872)	821,826
Noncash Investing, Capital and Financing Activities:							
Contribution of capital assets from private developers	281,187	-	-	222,320	-	-	503,507
Purchase of capital assets with lease	-	-	-	61,490	-	-	61,490
Capital asset trade-in	-	-	-	80,000	-	-	80,000

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

FARMINGTON CITY CORPORATION

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies

A. Reporting entity

The City is a municipal corporation governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the city. Each blended component unit has a June 30 year end.

Blended component units. The following entities are blended in the accompanying general purpose financial statements:

Farmington City Redevelopment Agency
Farmington City Municipal Building Authority

Blending means that component unit balances and transactions are combined with balances and transactions of the primary government. Although legally separate from the City, the above component units are blended because they are governed by boards comprised of the City Council members. The City retains fiscal responsibility for these entities. These entities are reported as special revenue funds.

Discretely presented component units. The City currently has no discretely presented component units.

Complete financial statements for the component units may be obtained at the entities administrative offices, 130 North Main, Farmington, Utah 84025.

Farmington Area Pressurized Irrigation District (FAPID), is not a part of Farmington City Corporation as it is governed by a separate elected board. Accordingly, it is not included with this report.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

The city reports the following major governmental funds:

The *general fund* is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *redevelopment agency fund* accounts for redevelopment agency transactions conducted by Farmington City, including property acquisition, site improvements, preparation cost, installation of public improvements, and administration cost.

The *municipal building authority fund* accounts for the receipts of payments on sale of a building and the payment of the debt related to the building.

The *street improvement capital project fund* accounts for the major replacement and repair city streets.

The city reports the following major proprietary funds:

The *water fund* accounts for the operations of the government's water utility system.

The *sewer fund* accounts for the operations of the government's sewer utility system.

The *garbage fund* accounts for the revenues and expenses associated with providing garbage collection services.

The *storm water fund* accounts for the revenues and expenses associated with the storm water utility system.

The *ambulance fund* accounts for the revenues and expenses associated with providing ambulance transportation services.

The *leisure services fund* accounts for the activities of the government's recreation program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements except where services are provided and used by the funds.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, garbage, ambulance, and leisure services enterprise funds are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are collected by the County Treasurer and remitted to the City shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by the telephone, natural gas and electric utilities and by cable TV operations. Taxes are remitted to the City monthly.

3. Restricted cash and cash equivalents

Certain resources of the City's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	15-20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5-10
Equipment	3-7

5. Compensated absences

City employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation up to 120 hours may carryover into the next year and is paid upon termination. Sick leave in excess of 320 hours may be converted to cash at one-third of the amount. Sick leave is forfeited upon termination.

Unpaid compensated absences in proprietary funds are recorded as a liability in those funds as the vested benefits to employees accrue.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discount, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

7. Fund equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Note 2 - Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 51,177,996
Accumulated depreciation	(15,649,848)
Total difference	<u>\$ 35,528,148</u>

Deferred revenue:

Long-term assets applicable to the City's governmental activities are not available to pay for current expenditures and thus are deferred in government funds. The statement of net assets includes these as revenue:

Deferred revenue	\$ 3,681,310
Deferred bond issuance cost	84,644
Accumulated amortization	(15,910)
Total difference	<u>\$ 3,750,044</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 2 - Reconciliation of government-wide and fund financial statements (continued)

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2006 were:

Redevelopment bonds	\$ 635,000
Sales tax revenue bonds	1,326,990
General obligation bonds	2,515,000
Special assessment bonds	486,476
Lease revenue bonds	2,260,000
Capital lease	126,462
Interest payable on long-term debt	88,937
Compensated absences	91,003
Bond premium	12,765
Accumulated amortization	(2,373)
Total difference	<u>\$ 7,540,260</u>

B. Explanation of differences between governmental fund operating statements and the statement of revenues, expenditures and changes in balances.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 1,171,309
Depreciation expense	<u>(1,636,173)</u>
Net differences as reported	<u>\$ (464,864)</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 2 - Reconciliation of government-wide and fund financial statements (continued)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,592,909 difference are as follows:

Debt issued or incurred:

Issuance of revenue bonds	\$ (312,476)
Issuance of short term notes	-
Amortization of issuance costs	(6,770)
Amortization of premium	-

Principal repayments:

General obligation debt	250,000
Revenue bonds	613,075
Capital lease payments	131,866
Bond issuance costs	26,196
Payment of short term notes	891,018
Net difference as reported	<u>\$ 1,592,909</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the \$8,899 difference are as follows:

Compensated absences	\$ 1,916
Accrued interest	<u>6,983</u>
Net difference as reported	<u>\$ 8,899</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 3 - Stewardship, Compliance, and Accountability

A. Budgetary information

Budgets are prepared and adopted, in accordance with State law, by the Farmington City Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the City Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City council. The legal level of budgetary control is the department level. Appropriations lapse at June 30. During the year, supplemental appropriations were made increasing General fund expenditures by \$254,740.

Note 3 - Stewardship, Compliance, and Accountability (continued)

Utah State law allows for any undesignated fund balance in excess of 5% of total revenues of the General Fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 18% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the city has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

Budgets for the General Fund, Debt Service and Capital Projects Funds are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

Note 4 - Detailed Notes on all Funds

A. Deposits and investments

The City maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund, which is available for use by all funds.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on All Funds - continued

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the Town's exposure to various risks related to its cash management activities.

Custodial credit risk - Deposits. This is the risk that in the event of a bank failure, the government's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$1,459,803 of the \$1,559,803 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - Investments. This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

As of June 30, 2006, the City had the following deposits and investments:

	Fair Value
Cash on deposit	\$ 1,559,803
State Treasurer's investment pool	5,825,556
	<u>\$ 7,385,359</u>

Credit risk. This is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the City had investments of \$5,825,556 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest rate risk. This is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on deposit	\$ 1,685,568
Utah State Treasurer's investment pool account	<u>5,505,556</u>
	<u>\$ 7,191,124</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 5,984,891
Cash with fiscal agents	<u>1,196,100</u>
	<u>\$ 7,180,991</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on All Funds - continued

B. Capital lease receivable

The Municipal Building Authority has entered into a lease/purchase agreement with the City. The City has then entered into a sublease/purchase with Davis County School District for the sale of the administration building. The lease term is a one year lease with 14 consecutive additional renewable terms. The lease payments are due annually beginning June 15, 2000. Principal payment amounts range from \$260,000 to \$415,000 with interest imputed at 3.40% to 4.15%. A purchase option price is available at any time, with the amount being computed at the time of the option. Conveyance of title to property will be done upon receipt of the option purchase price, or the final payment of all the lease payments. The subleasee is responsible for all maintenance, utilities, and taxes that may be imposed on the building.

Future minimum lease payments receivable are as follows:

2007	\$ 436,983
2008	433,213
2009	438,688
2010	437,500
2011	435,656
2012	3,156
	<u>2,185,196</u>
Amounts representing interest	<u>(355,196)</u>
Present value of future minimum lease payments	<u>\$ 1,830,000</u>

C. Receivables / deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Property taxes receivable (general fund)	\$ 1,075,000
Property taxes receivable (debt service funds)	776,310
Capital lease receivable (MBA fund)	<u>1,830,000</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 3,681,310</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on all Funds (continued)

D. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 11,293,481	249,190	-	11,542,671
Total capital assets not being depreciated	11,293,481	249,190	-	11,542,671
Capital assets being depreciated:				
Buildings	6,451,825	220,887	-	6,672,712
Improvements	5,810,443	244,711	-	6,055,154
Machinery and equipment	3,289,298	291,196	50,531	3,529,963
Infrastructure	21,886,796	1,490,700	-	23,377,496
Total capital assets being depreciated	37,438,362	2,247,494	50,531	39,635,325
Less accumulated depreciation for:				
Building	1,164,160	175,237	-	1,339,397
Improvements	2,320,292	333,498	-	2,653,790
Machinery and equipment	2,074,059	296,137	50,531	2,319,665
Infrastructure	8,505,695	831,301	-	9,336,996
Total accumulated depreciation	14,064,206	1,636,173	50,531	15,649,848
Total capital assets, being depreciated, net	23,374,156	611,321	-	23,985,477
Governmental activities capital assets, net	\$ 34,667,637	860,511	-	35,528,148

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FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on all Funds (continued)

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 131,662	-	-	131,662
Water stock and rights	15,717	-	-	15,717
Total capital assets not being depreciated	147,379	-	-	147,379
Capital assets being depreciated:				
Improvements	9,225,498	504,843	-	9,730,341
Distribution mains and reservoir	8,595,106	194,876	-	8,789,982
Machinery and equipment	1,054,554	341,781	127,883	1,268,452
Total capital assets being depreciated	18,875,158	1,041,500	127,883	19,788,775
Less accumulated depreciation for:				
Improvements	2,226,813	223,783	-	2,450,596
Distribution mains and reservoirs	1,815,704	185,800	-	2,001,504
Machinery and equipment	603,208	112,849	36,385	679,672
Total accumulated depreciation	4,645,725	522,432	36,385	5,131,772
Total capital assets, being depreciated, net	14,229,433	519,068	91,498	14,657,003
Business-type activities capital assets, net	\$ 14,376,812	519,068	91,498	14,804,382

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 147,911
Public safety	141,304
Highways and public improvements	1,081,112
Community development	9,192
Parks and recreation	256,654
Total depreciation expense - governmental activities	1,636,173

Business-type activities:

Water	317,275
Sewer	1,139
Garbage	23,426
Storm water	127,426
Ambulance	45,588
Recreation	7,578

Total depreciation expense- business-type activities

522,432

Total depreciation expense

\$ 2,158,605

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on all Funds (continued)

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency	\$ 42,500
Pool-Shops GO Bond	G.O. Bond 2003 Park	15,000
Total		<u>\$ 57,500</u>

Interfund receivables and payables are help with expenditures during the year which exceed revenues. The intent is for the funds to pay back these accounts with revenues from the next fiscal year.

Interfund Transfers:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Street Improvement</u>	<u>Non-major Governmental</u>	<u>Leisure and Special Events Enterprise</u>	
Transfers Out:					
General fund	\$ -	246,467	1,059,843	244,273	1,550,583
Redevelopment Agency	-	-	28,411	-	28,411
Street improvement	-	-	80,507	-	80,507
Non-major governmental	10,132	125,000	30,247	-	165,379
Total transfers in	<u>\$ 10,132</u>	<u>371,467</u>	<u>1,199,008</u>	<u>244,273</u>	<u>1,824,880</u>

Interfund transfers are done to help with certain administrative costs, the construction and/or purchase of capital assets, and to meet debt obligations.

F. Short Term Notes Payable

The City issued \$891,018 in short term interim warrants to help finance the construction of street, curb, gutter, sidewalk, and street light improvements in the 2003-1 special improvement district. The City paid these warrants with prepaid assessments and the issuance of special assessment bonds.

Changes in short-term notes

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Interim warrants payable	\$ 891,018	-	(891,018)	\$ -

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on all Funds (continued)

G. Leases

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of police communications equipment, a fire truck, a front-end loader, and improvements. The city also has financed the acquisition of certain meters, and improvements to reservoir, tank, and lines in the water fund as well as an ambulance in the ambulance enterprise fund, and a street sweeper in the storm water enterprise fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Water Enterprise Fund	Storm Water Enterprise Fund
Assets:			
Vehicles	\$ 379,520	27,622	147,014
Machinery and equipment	166,756	-	-
Improvements	-	345,226	-
Less: accumulated depreciation	(211,091)	(71,177)	(6,045)
Total	<u>\$ 335,185</u>	<u>301,671</u>	<u>140,969</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

Year Ending June 30:	Governmental Activities	Water Enterprise Fund	Storm Water Enterprise Fund
2007	\$ 79,718	37,978	46,096
2008	31,367	37,902	46,097
2009	23,339	49,363	48,494
2010	-	17,529	-
Total minimum lease payments	134,424	142,772	140,687
Less: amount representing interest	(7,962)	(13,463)	(10,292)
Present value of minimum lease payments	<u>\$ 126,462</u>	<u>129,309</u>	<u>130,395</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on all Funds (continued)

H. Long-term debt

General Obligation Bonds

The city issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$3,400,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 to 14 years serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Municipal purpose	4.9-5.6%	\$ 895,000
Parks and municipal buildings	2.0-4.0%	1,620,000
		<u>\$ 2,515,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 270,000	105,657
2008	290,000	94,277
2009	310,000	81,923
2010	330,000	67,921
2011	355,000	52,950
2012-2016	960,000	115,225
Total	<u>\$ 2,515,000</u>	<u>517,953</u>

The government also issued \$258,441 of special assessment debt in 2001 and \$312,476 of special assessment debt in 2005 to provide funds for the construction of curb, gutter and sidewalks. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The bonds have a stated rate of interest of 5.5 percent and are payable annually.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on all Funds (continued)

Annual debt service requirements to maturity for special assessment bonds are as

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2007	\$ 49,476	24,123
2008	54,000	20,147
2009	56,000	17,542
2010	59,000	14,839
2011	62,000	11,986
2012-2016	206,000	23,893
Total	\$ 486,476	112,530

Revenue bonds

The city issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt issued in prior years was for \$1,121,000 with annual installments of \$97,000 to \$134,000 per year. Revenue bonds outstanding at year end are as follows:

<u>Business-type Activities:</u>	<u>Interest Rates</u>	<u>Amount</u>
Storm water fund	1.95-4.95%	\$ 926,000

In addition, the City Redevelopment Agency has issued tax increment revenue bonds which were used for refurbishing part of the City. The 1997 bonds were issued for \$349,000 and are due in annual installments of \$34,000 to \$76,000 thru April 1, 2007 and the 2002 serial bonds were issued for \$717,000 are due in annual installments of \$31,000 to \$173,000 thru January 15, 2012. At year end the outstanding balances of such issues was a follows:

<u>Governmental Activities:</u>	<u>Interest Rates</u>	<u>Amount</u>
1997 Redevelopment	6.1-6.8%	\$ 76,000
2003 Redevelopment	2.75-5.2%	559,000
		\$ 635,000

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on all Funds (continued)

The City has three other debts which it treats as revenue type debt because of the nature of the debt and the revenues being used to fund the related debt service. One of the debts is a lease revenue bond issued by the City Municipal Building Authority for the construction of a building. The original debt was for \$4,300,000 and is being repaid in installments of \$260,000 to \$415,000 per year. In addition, in June of 2005, the City issued two Sales Tax Revenue bonds which are secured by the collection of sales taxes. The Series 2005A refunding bonds were issued for \$653,864 and were used for the defeasance of the 2001 Excise Tax revenue bonds. The Series 2005B revenue bonds were issued for \$1,093,000 and were used for street and park construction projects, and to purchase equipment under a capital lease in the water fund. The series A bonds are being repaid in annual installments of \$100,859 to \$118,670 thru June 1, 2011. The series B bonds are being repaid in annual installments of \$94,141 to \$131,165 thru June 2015. At year end these debt balances are as follows:

Governmental Activities:

	Interest Rates	Amount
1999 Lease Revenue Bonds	3.40 to 4.375%	\$ 2,260,000
2005A Sales Tax Revenue Refunding Bonds	3.65%	553,000
2005B Sales Tax Revenue Bonds	4.15%	778,680
		<u>3,591,680</u>

Business-type Activities:

2005B Sales Tax Revenue Bonds	4.15%	<u>221,320</u>
Total city reflected revenue bonds		<u>\$ 5,374,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 617,167	182,424	121,833	48,442
2008	617,280	155,682	125,720	44,345
2009	647,394	130,102	130,606	39,700
2010	673,507	102,297	135,493	34,496
2011	701,620	73,273	141,380	28,873
2012-2015	969,712	67,529	492,288	49,107
Totals	<u>\$ 4,226,680</u>	<u>711,307</u>	<u>1,147,320</u>	<u>244,963</u>
Total governmental and business-type revenue bonds	<u>\$ 5,374,000</u>	<u>956,270</u>		

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 4 - Detailed Notes on all Funds (continued)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,765,000	-	(250,000)	2,515,000	270,000
Special assessment debt with governmental commitment	198,000	312,476	(24,000)	486,476	49,476
Revenue bonds	4,815,755	-	(589,075)	4,226,680	617,850
Total bonds payable	7,778,755	312,476	(863,075)	7,228,156	937,326
Capital leases	258,328	-	(131,866)	126,462	75,849
Compensated absences	92,919	-	(1,916)	91,003	91,003
Governmental activity Long-term liabilities	<u>\$ 8,130,002</u>	<u>312,476</u>	<u>(996,857)</u>	<u>7,445,621</u>	<u>1,104,178</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 1,266,245	-	(118,925)	1,147,320	122,150
Capital leases	336,999	126,235	(210,820)	252,414	72,135
Business-type activity Long-term liabilities	<u>\$ 1,603,244</u>	<u>126,235</u>	<u>(329,745)</u>	<u>1,399,734</u>	<u>194,285</u>

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 5 - Other Information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Retirement Plans

Local Government- Cost Sharing Defined Benefit

Plan Description

Farmington City Corporation (City) contributes to the Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with (without) Social Security coverage, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

The City is required to contribute a percent of covered salary to the respective systems, 11.090% to the Noncontributory, 19.340% to the Public Safety Noncontributory system. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 5 - Other Information (continued)

The City's contributions to the Local Governmental Noncontributory Retirement System the Contributions for June 30, 2006, 2005 and 2004 were \$157,451, \$141,857, and \$113,129, respectively, for the Public Safety Noncontributory, \$98,680, \$87,186, and \$69,181, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plan

The City participates in a supplemental defined contribution plan (401(a)) for all full-time employees, administered by ICMA. Plan contributions vary according to which state retirement plan the employee participates in and range from 4.48% to 12.28%. For full-time employees hired prior to January 1, 1987, vesting begins after 4 years of service at 40% with 10% increments for each additional year of service. Full vesting occurs after 10 years service. As of July 1, 2001 full-time employees, are not eligible to participate until 1 year of service has been completed, at which time the participant is 100% vested.

The City's required and actual contribution to this plan was \$69,296 for the fiscal year ended June 30, 2006.

The City also participates in defined contribution (401(k) and 457) sponsored and administered by the Utah Retirement Systems. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Investments are managed by the plans' trustees under several investment options. The choice of the investment options is made by the participants.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

There are several pending lawsuits in which the City is involved. The City's attorney estimates that the potential claims against the City resulting from such litigation not covered by insurance would not materially affect the financial statements of the City.

FARMINGTON CITY CORPORATION

Notes to Financial Statements - Continued

June 30, 2006

Note 5 - Other Information (continued)

D. Redevelopment Agency

Tax increment money was generated from the following project area within the Redevelopment Agency:

Area: US. 89 Neighborhood Development	\$ 228,218
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Tax increment paid to other taxing entity (Davis School District)	\$ 23,902
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Outstanding debt of the RDA consists of the following:

Tax increment bonds 1997	\$ 76,000
Tax increment bonds 2003	559,000
	<u>\$ 635,000</u>

During the year, the RDA expended monies in the categories below as follows:

Site improvements/ preparation costs	\$ 34,619
Administration costs	\$ 15,300
Debt Service	\$ 129,368

E. Reclassification of prior year amounts

Certain amounts from the prior year report have been reclassified to conform to the current year presentation.

REQUIRED SUPPLEMENTARY INFORMATION

Farmington City
Impact Fee Reporting
June 30, 2006

Farmington City has established several impact fees that are charged to either the developer or individual property owner. The following tables show the funds collected by year, the expenditures and the future capital projects that these are set aside for. Balances for future expenditures will be budgeted according to the needs and the appropriate time for the improvements.

Fire Facilities Impact Fee

		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Project	Revenues	21,555.20	15,995.28	47,548.47	7,780.79	34,489.55	29,579.99	74,148.25
Fire Station Expansion		840.00	1,653.75	60,200.44	35,573.65	13,965.26	30,753.11	85,185.91
Total Expenses		840.00	1,653.75	60,200.44	35,573.65	13,965.26	30,753.11	85,185.91
Balance to be used for Fire Facilities	2,695.80	23,411.00	37,752.53	25,100.56	-2,692.30	17,831.99	16,658.87	5,621.21

Police Facilities Impact Fee

		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	
Project	Revenues	24,792.46	19,448.82	45,534.67	30,997.20	39,117.32	38,215.16	69,629.22	
Police Station Facilities		840.00	0.00	0.00	25,000.00	70,000.00	1,484.50	2,208.26	
Total Expenses		840.00	0.00	0.00	25,000.00	70,000.00	1,484.50	2,208.26	
Balance to be used for Police Facilities		44,130.00	68,082.46	87,531.28	133,065.95	139,063.15	108,180.47	144,911.13	212,332.09

Park Facilities Impact Fee

		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Project	Revenues	126,078.48	448,020.97	373,252.08	206,856.25	398,427.99	360,294.52	757,941.36
Park Land		161,116.89	6,808.85	497,442.93			15,000.00	
Park Improvements		30,374.20		7,979.19	41,963.36	636,962.98	209,476.18	53,737.63
Open Space / Trails			19,285.26	198,393.92	6,348.12	19,897.84	117,969.23	48,417.42
Total Expenses		210,776.35	14,788.04	695,836.85	48,311.48	656,860.82	342,445.41	102,155.05
Balance to be used for land, improvements, and open space and trails								
	91,374.48	6,676.61	439,909.54	117,324.77	275,869.54	17,436.71	35,285.82	691,072.13

Storm Water Facilities Impact Fee

		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Project	Revenues	50,580.72	73,002.10	21,430.67	66,115.32	82,084.05	152,206.58	202,492.39
Storm Water improvements, lines, detention basins and infrastructure		51,897.13	120,704.53	64,925.28	79,554.21	7,214.97	65,708.28	156,195.14
Total Expenses		51,897.13	120,704.53	64,925.28	79,554.21	7,214.97	65,708.28	156,195.14
Balance to be used for improvements, lines, detention basins and infrastructure		148,152.18	146,835.77	99,133.34	55,638.73	42,199.84	117,068.92	203,567.22
								249,864.47

Transportation Impact Fee

		FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Project Name	Revenues	0.00	36,418.00	104,909.00	90,993.11	150,436.01	111,839.78	373,530.86
Land / ROW		6,103.50	27,255.03			2,650.00		9,139.16
Shepard Ln Improvements								21,000.00
1525 W Improvements						43,008.00		42,908.43
475 S Improvements								2,261.67
Impact Fee Study / Master Transportation Plan / Engineering			14,142.00	49,395.90	36,008.79	11,509.66	81,882.34	55,858.95
Bond Payments / Intersection Clark Ln & Park Ln								47,033.00
State St Improvements								55,524.00
Widening of Clark Lane 1100 W to 1525 W							14,090.40	31,523.88
1100 W from Clark Lane to 500 S								6,764.51
Total Expense		-6,103.50	41,397.03	52,045.90	71,099.19	54,517.66	136,191.60	196,704.34

Balance to be used on the following

Projects:	-6,103.50	-11,082.53	41,780.57	61,674.49	157,592.84	133,241.02	310,067.54
Intersection Improvements near Northridge Rd							
Signal at Summerset							
State St Improvements							
Widening of Clark Lane 1100 W to 1525 W							
Shepard Creek Parkway C-D Connector with US 89							
W Frontage Rd Park Ln to intersection 1525 W & Burke Ln							
Commuter Rail Connector Clark Ln to Station							
McKittrick Minor Collector							
Improvements of UTA Crossing at Burke Ln							
Improvements of 1525 W Burke Ln intersection							
650 W Improvements from State St to Glover Ln							

Water Facilities Impact Fee

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Beg Balance	517,052.00	582,305.96	605,551.68	434,781.79	218,127.70	-49,940.12	-11,572.98	64,817.07
Developer Loans			190,075.68	108,216.38	152,436.49			
Overcost of well		2,500.00	3,246.00		76,508.88			
Interest	39,125.05	41,152.91	37,404.83	2,641.47	4,260.96	785.97	3,306.66	7,152.40
Bond Proceeds				300,000.00				
Impact Fees	273,325.00	126,672.00	874,410.00	848,815.00	186,812.00	286,100.00	404,248.00	374,712.00
Total Revenue	312,450.05	170,324.91	1,105,136.51	1,259,672.85	420,018.33	286,885.97	407,554.66	381,864.40
Capital Expenditures								
Bond Retirement	75,905.48	75,089.24	75,148.80	67,408.00	100,785.88	102,937.37	101,432.34	29,227.99
Accerlerate Bond Payments								100,000.00
Shepherd Heights Lines / Resevior	210,540.65	20,964.59	15,397.89		35,405.11	11,814.00	29,100.00	
Well #2 Improvements	30,386.90	380.00	108,208.90	257,985.99				
200 East waterline				312,101.30	4,958.30	6,713.79		
Pump House				156,224.86	164,798.47	7,500.00		
2 million gal Resevior		19,089.40	359,853.12	664,358.28	89,864.51			
Misc. Improvements	25,972.37	23,504.50	16,975.95	5,077.50	110.00	420.00		18,015.36
Burke Lane - Lagoon Dr					64,322.75			
West Farm. Improvements		7,062.25	626,360.43					
Water Lines			48,323.96					
Developer reimbursements					125,503.00	119,133.70	206,091.85	
Fund Adjustments	-95,609.31	989.21	25,637.35	13,171.01	102,338.13	-0.03	-5,459.58	
Total Expenditures	247,196.09	147,079.19	1,275,906.40	1,476,326.94	688,086.15	248,518.83	331,164.61	147,243.35
Balance to be used on water facility improvements	582,305.96	605,551.68	434,781.79	218,127.70	-49,940.12	-11,572.98	64,817.07	299,438.12

SUPPLEMENTAL INFORMATION

FARMINGTON CITY CORPORATION

Nonmajor Governmental Funds

June 30, 2006

Debt Service Funds

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Sales Tax Revenue Bond Fund - This fund is used to account for principal and interest on the sales tax revenue bonds used to refund current debt and other general improvements.

G.O. Bond 2003 Park Fund - This fund is used to account for principal and interest on the general obligation bonds used to finance construction of the City's community center and park projects.

Pool - Shops G.O. Bond Fund - This fund is used to account for principal and interest on the general obligation bonds used to finance construction of the City's swimming pool and the City's shop buildings.

Special Improvement District 99-1 - This fund is used to account for receipt of special assessment levies and payment of special assessment bond principal and interest for the special improvement project.

Special Improvement District 2003-1 - This fund is used to account for receipt of special assessment levies and payment of special assessment bond principal and interest for the special improvement project.

Special Improvement Guaranty Fund - This fund accounts for the accumulation of resources for the guaranty of special assessment bonds as required by Utah law.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Government Buildings Improvement Fund - This fund accounts for the replacement, repairs and future improvements to the government buildings and the city. General government resources provide the primary source of funding with grants providing additional funding as available.

Park Improvement Fund - This fund accounts for the ongoing acquisition and replacement of major capital assets needed to maintain the operations of the city. General government resources provide the primary source of funding with grants and other government resources providing additional funding as available.

Capital Equipment Fund - This fund accounts for the ongoing acquisition and replacement of major capital assets needed to maintain the operations of the city. General government resources provide the primary source of funding with grants and other government resources providing additional funding as available.

FARMINGTON CITY CORPORATION

Nonmajor Governmental Funds

June 30, 2006

Capital Projects Funds - continued

Real Estate Property Asset Fund - This fund accounts for the costs to develop and subdivide City owned property that will be sold as surplus. General government resources provide the up front funding which is intended to be reimbursed from the sale of the property.

Fire Protection Fund - This fund accounts for the acquisition of major capital assets needed for adequate fire protection. Federal grants and building permit fees are the primary source of funding for these acquisitions.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust is used to maintain the City's cemetery.

MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

Street Improvement Fund - This fund accounts for the major replacement and repair of the city streets including Class C roads. General government resources and contributions from developers provide the funding.

Required Supplementary Information

Impact Fee Schedule

This schedule, required by the state of Utah, accounts for impact fees collected and the expenditure or projected expenditure of these fees.

FARMINGTON CITY CORPORATION

Combining Balance Sheet - Nonmajor Funds

June 30, 2006

	Debt Service					
	Sales Tax Revenue Bond	G.O. Bond 2003 Park	Pool-Shops G.O. Bond	Special Improvement Dist. 99-1	Special Improvement Dist. 2003-1	Special Improvement Guarantee
ASSETS						
Cash and cash equivalents	\$ 5,405	1,378	25,072	99,857	40,744	29,860
Cash with fiscal agents	-	29,289	-	4	35,811	-
Receivables:						
Property taxes	-	170,983	258,699	-	-	-
Special assessments	-	-	-	72,434	281,123	-
Due from other funds	-	-	15,000	-	-	-
Total assets	<u>5,405</u>	<u>201,650</u>	<u>298,771</u>	<u>172,295</u>	<u>357,678</u>	<u>29,860</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	-	-	-	-	-
Deferred revenue	-	168,000	254,753	72,434	281,123	-
Due to other funds	-	15,000	-	-	-	-
Total liabilities	<u>-</u>	<u>183,000</u>	<u>254,753</u>	<u>72,434</u>	<u>281,123</u>	<u>-</u>
Fund balances:						
Fund balances reserved for:						
Debt service	5,405	18,650	44,018	99,861	76,555	29,860
Capital projects	-	-	-	-	-	-
Permanent	-	-	-	-	-	-
Total fund balances	<u>5,405</u>	<u>18,650</u>	<u>44,018</u>	<u>99,861</u>	<u>76,555</u>	<u>29,860</u>
Total liabilities and fund balance	<u>\$ 5,405</u>	<u>201,650</u>	<u>298,771</u>	<u>172,295</u>	<u>357,678</u>	<u>29,860</u>

FARMINGTON CITY CORPORATION

Combining Balance Sheet - Nonmajor Funds (continued)

June 30, 2006

	Capital Projects					Permanent	Total
	Gov't Buildings Improv/other	Park Improvement	Capital Equipment	Real Estate Property Asset	Fire Protection	Cemetery Perpetual Care	Nonmajor Governmental Fund
ASSETS							
Cash and cash equivalents	\$ 832,253	632,034	11,868	-	5,727	287,987	1,972,185
Cash with fiscal agents	-	-	-	-	-	-	65,104
Receivables:							
Property taxes	-	-	-	-	-	-	429,682
Special assessments	-	-	-	-	-	-	353,557
Due from other funds	-	-	-	-	-	-	15,000
Total assets	<u>832,253</u>	<u>632,034</u>	<u>11,868</u>	<u>-</u>	<u>5,727</u>	<u>287,987</u>	<u>2,835,528</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	5,241	758	2,211	-	106	300	8,616
Deferred revenue	-	-	-	-	-	-	776,310
Due to other funds	-	-	-	-	-	-	15,000
Total liabilities	<u>5,241</u>	<u>758</u>	<u>2,211</u>	<u>-</u>	<u>106</u>	<u>300</u>	<u>799,926</u>
Fund balances:							
Fund balances reserved for:							
Debt service	-	-	-	-	-	-	274,349
Capital projects	827,012	631,276	9,657	-	5,621	-	1,473,566
Permanent	-	-	-	-	-	287,687	287,687
Total fund balances	<u>827,012</u>	<u>631,276</u>	<u>9,657</u>	<u>-</u>	<u>5,621</u>	<u>287,687</u>	<u>2,035,602</u>
Total liabilities and fund balance	<u>\$ 832,253</u>	<u>632,034</u>	<u>11,868</u>	<u>-</u>	<u>5,727</u>	<u>287,987</u>	<u>2,835,528</u>

FARMINGTON CITY CORPORATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds

For the Year Ended June 30, 2006

	Debt Service					
	Sales Tax Revenue Bond	G.O. Bond 2003 Park	Pool-Shops G.O. Bond	Special Improvement Dist. 99-1	Special Improvement Dist. 2003-1	Special Improvement Guarantee
REVENUES:						
Interest	\$ 738	-	1,950	9,749	3,164	1,220
Special assessments	-	-	-	24,164	39,917	-
Grants	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Impact fees	-	-	-	-	-	-
Property tax	-	164,520	215,803	-	-	-
Other	-	-	-	-	-	-
Total	738	164,520	217,753	33,913	43,081	1,220
EXPENDITURES:						
Capital outlays	-	-	-	-	-	-
Agents fees	-	500	300	250	-	-
Debt service:						
Principal retirement	173,075	100,000	150,000	24,000	-	-
Interest and fiscal charges	54,502	60,701	54,285	10,886	-	-
Total	227,577	161,201	204,585	35,136	-	-
Excess of revenues over (under) expenditures	(226,839)	3,319	13,168	(1,223)	43,081	1,220
Other financing sources (uses):						
Transfers in	228,576	-	-	-	33,474	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	228,576	-	-	-	33,474	-
Excess revenues and other sources over expenditures and other uses	1,737	3,319	13,168	(1,223)	76,555	1,220
Fund balances - beginning of year	3,668	15,331	30,850	101,084	-	28,640
Fund balances - end of year	\$ 5,405	18,650	44,018	99,861	76,555	29,860

FARMINGTON CITY CORPORATION

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds (Continued)

For the Year Ended June 30, 2006

	Capital Projects Funds					Permanent Fund	Total
	Gov't	Park	Capital	Real Estate	Cemetery	Nonmajor	
	Buildings	Improvement	Equipment	Property	Perpetual	Governmental	
	Improv/other			Asset	Care	Funds	
	\$						
REVENUES:							
Interest	13,775	20,546	148	88	11,510	65,088	
Special assessments	-	-	-	-	-	64,081	
Grants	-	-	90,288	-	-	90,288	
Contributions	11,865	11,535	2,500	-	-	25,900	
Impact fees	63,203	737,394	-	-	-	872,545	
Property tax	-	-	-	-	-	380,323	
Other	10,000	17,200	-	-	26,925	54,125	
Total	98,843	786,675	92,936	88	38,435	1,552,350	
EXPENDITURES:							
Capital outlays	120,969	303,643	360,716	9,920	-	795,248	
Agents fees	-	-	-	-	-	1,050	
Debt service:							
Principal retirement	-	-	51,744	-	-	578,941	
Interest and fiscal charges	-	-	7,889	-	-	193,327	
Total	120,969	303,643	420,349	9,920	-	1,568,566	
Excess of revenues over (under) expenditures	(22,126)	483,032	(327,413)	(9,832)	38,435	(16,216)	
Other financing sources (uses):							
Transfers in	583,800	15,458	337,700	-	-	1,199,008	
Transfers (out)	-	(155,247)	-	(132)	(10,000)	(165,379)	
Total other financing sources (uses)	583,800	(139,789)	337,700	(132)	(10,000)	1,033,629	
Excess revenues and other sources over expenditures and other uses	561,674	343,243	10,287	(9,964)	28,435	1,017,413	
Fund balances - beginning of year	265,338	288,033	(630)	9,964	259,252	1,018,189	
Fund balances - end of year	\$ 827,012	631,276	9,657	-	287,687	2,035,602	

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Sales Tax Revenue Bond Debt Service Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ -	738	738
Total revenues	-	738	738
Expenditures:			
Principal retirement	173,075	173,075	-
Interest	54,500	54,502	(2)
Agents Fees	1,000	-	1,000
Total expenditures	228,575	227,577	998
Excess revenues over (under) expenditures	(228,575)	(226,839)	1,736
Other financing sources (uses)			
Transfers In	228,575	228,576	1
Total other financing sources and uses	228,575	228,576	1
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	1,737	1,737
Fund balance- beginning of year	3,668	3,668	-
Fund balance- end of year	\$ 3,668	5,405	1,737

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
G.O. Bond 2003 Park Debt Service Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 162,575	164,520	1,945
Total revenues	162,575	164,520	1,945
Expenditures:			
Principal retirement	100,000	100,000	-
Interest and fiscal charges	60,576	60,701	(125)
Agents fees	2,000	500	1,500
Total expenditures	162,576	161,201	1,375
Excess (deficiency) of revenues over expenditures	(1)	3,319	3,320
Fund balance- beginning of year	15,331	15,331	-
Fund balance- end of year	\$ 15,330	18,650	3,320

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Pool- Shops GO Bond Debt Service Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	\$ 217,000	215,803	(1,197)
Interest	2,000	1,950	(50)
Total revenues	219,000	217,753	(1,247)
Expenditures:			
Principal retirement	150,000	150,000	-
Interest and fiscal charges	54,433	54,285	148
Agents fees	300	300	-
Total expenditures	204,733	204,585	148
Excess (deficiency) of revenues over expenditures	14,267	13,168	(1,099)
Fund balance- beginning of year	30,850	30,850	-
Fund balance- end of year	\$ 45,117	44,018	(1,099)

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Improvement District 99-1 Debt Service Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Principal assessments	\$ 24,000	24,164	164
Interest	9,700	9,749	49
Total revenues	33,700	33,913	213
Expenditures:			
Principal retirement	24,000	24,000	-
Interest and fiscal charges	10,890	10,886	4
Agents Fees	250	250	-
Total expenditures	35,140	35,136	4
Excess (deficiency) of revenues over expenditures	(1,440)	(1,223)	217
Fund balance- beginning of year	101,084	101,084	-
Fund balance- end of year	\$ 99,644	99,861	217

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Improvement District 2003-1 Debt Service Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Principal assessments	\$ 38,000	39,917	1,917
Interest	1,450	3,164	1,714
Total revenues	39,450	43,081	3,631
Expenditures:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Agents Fees	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	39,450	43,081	3,631
Other financing sources (uses):			
Transfers in	31,239	33,474	2,235
Total other financing sources (uses)	31,239	33,474	2,235
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	70,689	76,555	5,866
Fund balance- beginning of year	-	-	-
Fund balance- end of year	\$ 70,689	76,555	5,866

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Improvement Guaranty Debt Service Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 1,000	1,220	220
Total revenues	1,000	1,220	220
Expenditures:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	1,000	1,220	220
Fund balance- beginning of year	28,640	28,640	-
Fund balance- end of year	\$ 29,640	29,860	220

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Buildings Improvement Capital Projects Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Contributions	\$ 12,435	11,865	(570)
Police impact fees	62,000	63,203	1,203
Interest	9,800	13,775	3,975
Other income	10,000	10,000	-
Total revenues	94,235	98,843	4,608
Expenditures:			
Capital outlay	159,415	120,969	38,446
Total expenditures	159,415	120,969	38,446
Excess (deficiency) of revenues over expenditures	(65,180)	(22,126)	43,054
Other financing sources (uses):			
Transfers in	583,800	583,800	-
Total other financing sources (uses)	583,800	583,800	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	518,620	561,674	43,054
Fund balance- beginning of year	265,338	265,338	-
Fund balance- end of year	\$ 783,958	827,012	43,054

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Park Improvement Capital Projects Fund
For the Year Ended June 30, 2006

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Impact fees	\$ 737,394	737,394	-
Contributions	22,416	11,535	(10,881)
Other income	18,000	17,200	(800)
Interest on investments	18,000	20,546	2,546
Total revenues	795,810	786,675	(9,135)
Expenditures:			
Capital outlay	371,836	303,643	68,193
Total expenditures	371,836	303,643	68,193
Excess revenues over (under) expenditures	423,974	483,032	59,058
Other financing sources (uses):			
Transfers in	19,210	15,458	(3,752)
Transfers (out)	(155,247)	(155,247)	-
Total other financing sources and uses	(136,037)	(139,789)	(3,752)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	287,937	343,243	55,306
Fund balance- beginning of year	288,033	288,033	-
Fund balance- end of year	\$ 575,970	631,276	55,306

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Equipment Capital Projects Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Grants	\$ 90,288	90,288	-
Contributions	2,500	2,500	-
Interest	-	148	148
Total revenues	92,788	92,936	148
Expenditures:			
Capital outlay	368,589	360,716	7,873
Principal retirement	51,744	51,744	-
Interest	8,889	7,889	1,000
Total expenditures	429,222	420,349	8,873
Excess (deficiency) of revenues over expenditures	(336,434)	(327,413)	9,021
Other financing sources (uses):			
Transfers in	337,700	337,700	-
Total other financing sources (uses)	337,700	337,700	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,266	10,287	9,021
Fund balance- beginning of year	(630)	(630)	-
Fund balance- end of year	\$ 636	9,657	9,021

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Real Estate Property Asset Capital Projects Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Interest	\$ 100	88	(12)
Total revenues	100	88	(12)
Expenditures:			
Capital outlay	9,921	9,920	1
Total expenditures	9,921	9,920	1
Excess (deficiency) of revenues over expenditures	(9,821)	(9,832)	(11)
Other financing sources (uses):			
Transfers (out)	(150)	(132)	18
Total other financing sources (uses)	(150)	(132)	18
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(9,971)	(9,964)	7
Fund balance- beginning of year	9,964	9,964	-
Fund balance- end of year	\$ (7)	-	7

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Fire Protection Capital Projects Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fire protection impact fees	\$ 72,000	71,948	(52)
Interest	2,000	2,200	200
Total revenues	74,000	74,148	148
Expenditures:			
Principal retirement	80,200	80,122	78
Interest	6,000	5,064	936
Total expenditures	86,200	85,186	1,014
Excess (deficiency) of revenues over expenditures	(12,200)	(11,038)	1,162
Fund balance- beginning of year	16,659	16,659	-
Fund balance- end of year	\$ 4,459	5,621	1,162

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Cemetery Perpetual Care Fund
For the Year Ended June 30, 2006

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Sale of burial rights/ raised marker fees	\$ 26,000	26,925	925
Interest on investments	12,000	11,510	(490)
Total revenues	38,000	38,435	435
Expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	38,000	38,435	435
Other financing sources (uses):			
Transfers (out)	(10,000)	(10,000)	-
Total other financing sources (uses)	(10,000)	(10,000)	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	28,000	28,435	435
Fund balance- beginning of year	259,252	259,252	-
Fund balance- end of year	<u>\$ 287,252</u>	<u>287,687</u>	<u>435</u>

FARMINGTON CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Street Improvement Capital Projects Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Grants	\$ 784,080	144,480	144,480	-
Impact Fees	180,000	372,177	362,821	(9,356)
Special assessments	1,000,000	1,029,219	1,029,030	(189)
Contributions	45,000	268,386	284,998	16,612
Interest on investments	3,000	9,000	28,725	19,725
Total revenues	2,012,080	1,823,262	1,850,054	26,792
Expenditures:				
Capital outlay	1,520,717	1,014,274	689,452	324,822
Debt principal	877,315	891,019	891,018	1
Bond issuance costs	25,000	26,195	26,196	(1)
Interest	20,000	17,709	17,708	1
Total expenditures	2,443,032	1,949,197	1,624,374	324,823
Excess (deficiency) of revenues over expenditures	(430,952)	(125,935)	225,680	351,615
Other financing sources (uses):				
Issuance of debt	500,000	312,477	312,476	(1)
Transfers in	243,150	371,467	371,467	-
Transfers (out)	-	(78,272)	(80,507)	(2,235)
Total other financing sources (uses)	743,150	605,672	603,436	(2,236)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	312,198	479,737	829,116	349,379
Fund balance- beginning of year	117,018	117,018	117,018	-
Fund balance- end of year	\$ 429,216	596,755	946,134	349,379

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

FARMINGTON CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2006

	<u>2006</u>
Governmental funds capital assets:	
Land	\$ 11,542,671
Buildings	6,672,712
Improvements other than buildings	6,055,154
Machinery and equipment	3,529,963
Infrastructure	<u>23,377,496</u>
	<u>51,177,996</u>
Investment in governmental funds capital assets by source:	
General fund	22,516,189
Capital projects funds	24,883,831
Grants and contributions	<u>3,777,976</u>
	<u>\$ 51,177,996</u>

FARMINGTON CITY CORPORATION

Capital Assets Used in the Operation of Governmental Funds

By Source

June 30, 2006

FUNCTION AND ACTIVITY

General Government:

Administration

Government buildings

Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Totals
\$ 1,903,440	-	36,680	-	-	1,940,120
-	4,289,543	1,141,100	436,786	-	5,867,429
1,903,440	4,289,543	1,177,780	436,786	-	7,807,549

Public Safety:

Police Protection

Fire Protection

-	243,692	-	671,309	-	915,001
-	702,141	-	1,072,537	-	1,774,678

Highways and Streets

-	945,833	-	1,743,846	-	2,689,679
8,675,066	-	1,708,223	1,047,284	23,377,496	34,808,069

Planning and Inspection

-	-	-	47,745	-	47,745
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Parks and Recreation

964,165	1,437,336	3,169,151	254,302	-	5,824,954
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\$ 11,542,671	6,672,712	6,055,154	3,529,963	23,377,496	51,177,996
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FARMINGTON CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2006

<u>FUNCTION AND ACTIVITY</u>	Governmental Fund Capital Assets 2005	Additions	Deletions	Governmental Funds Capital Assets 2006
General Government:				
Administration	\$ 1,940,120	-	-	1,940,120
Government Buildings	5,559,472	334,291	26,334	5,867,429
	<u>7,499,592</u>	<u>334,291</u>	<u>26,334</u>	<u>7,807,549</u>
Public Safety				
Police	793,612	145,586	24,197	915,001
Fire	1,761,553	13,125	-	1,774,678
	<u>2,555,165</u>	<u>158,711</u>	<u>24,197</u>	<u>2,689,679</u>
Highways and Streets	32,870,208	1,937,861	-	34,808,069
Planning and Inspection	26,011	21,734	-	47,745
Parks and Recreation	5,780,867	44,087		5,824,954
Fund balance- end of year	<u>\$48,731,843</u>	<u>2,496,684</u>	<u>50,531</u>	<u>51,177,996</u>

STATISTICAL SECTION

This part of the Farmington City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	94
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	101
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	105
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	110
<i>These schedules offer demographic and economic indicators to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise note, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

FARMINGTON CITY CORPORATION

Nets Assets by Component

Last Four Fiscal Years

(accrual basis of accounting)

	Fiscal Years			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 26,559,969	25,557,593	25,744,226	\$ 28,178,220
Restricted	240,783	403,647	259,252	364,668
Unrestricted	<u>7,613,047</u>	<u>6,279,948</u>	<u>6,341,783</u>	<u>8,233,260</u>
Total governmental activities net assets	<u><u>34,413,799</u></u>	<u><u>32,241,188</u></u>	<u><u>32,345,261</u></u>	<u><u>36,776,148</u></u>
Business-type activities				
Invested in capital assets, net of related debt	9,882,700	11,765,933	12,768,839	13,404,648
Restricted	36,251	36,251	36,251	36,251
Unrestricted	<u>460,640</u>	<u>1,871,162</u>	<u>1,711,128</u>	<u>2,123,152</u>
Total business-type activities net assets	<u><u>10,379,591</u></u>	<u><u>13,673,346</u></u>	<u><u>14,516,218</u></u>	<u><u>15,564,051</u></u>
Primary government				
Invested in capital assets, net of related debt	36,442,669	37,323,526	38,513,065	41,582,868
Restricted	277,034	439,898	295,503	400,919
Unrestricted	<u>8,073,687</u>	<u>8,151,110</u>	<u>8,052,911</u>	<u>10,356,412</u>
Total primary government net assets	<u><u>\$ 44,793,390</u></u>	<u><u>45,914,534</u></u>	<u><u>46,861,479</u></u>	<u><u>52,340,199</u></u>

FARMINGTON CITY CORPORATION

Changes in Net Assets

Last Four Fiscal Years

(accrual basis of accounting)

	Fiscal Years			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 1,134,200	1,175,888	1,445,119	1,331,944
Public safety	1,299,063	1,483,089	1,587,507	1,740,778
Highways and public works	1,364,869	1,347,660	1,492,849	1,632,737
Community development	425,914	512,563	603,307	826,144
Parks and recreation	590,572	607,559	716,051	735,531
Interest on long-term debt	398,090	402,326	396,046	353,615
Total governmental activities	5,212,708	5,529,085	6,240,879	6,620,749
Business-type activities:				
Water utility	1,085,482	1,050,843	1,169,108	1,271,429
Sewer utility	754,008	816,177	831,776	904,739
Garbage utility	656,824	719,569	720,574	775,135
Storm water utility	-	270,018	425,805	467,803
Ambulance service	108,713	135,664	107,068	141,319
Leisure & special events	476,450	496,636	508,790	526,202
Total business-type activities	3,081,477	3,488,907	3,763,121	4,086,627
Total primary government	\$ 8,294,185	9,017,992	10,004,000	10,707,376
Program Revenues				
Governmental activities:				
Charges for services				
General government	\$ 424,783	648,313	718,546	945,345
Public safety	223,337	297,000	242,946	229,142
Highways and public works	152,113	146,252	-	-
Community development	103,529	97,672	136,246	309,118
Parks and recreation	192,405	393,271	534,298	1,235,366
Operating grants and contributions	480,551	552,650	441,796	530,993
Capital grants and contributions	806,369	2,248,550	198,995	2,964,152
Total governmental activities	2,383,087	4,383,708	2,272,827	6,214,116
Business-type activities:				
Charges for services				
Water utility	1,160,542	1,292,807	1,450,644	1,465,806
Sewer utility	774,520	814,474	847,863	893,122
Garbage utility	654,723	697,055	763,542	793,461
Storm water utility	-	343,299	572,087	669,426
Ambulance service	139,078	164,605	200,854	208,061
Leisure & special events	298,073	281,171	256,309	270,034
Operating grants and contributions	7,202	11,396	6,315	12,110

Capital grants and contributions	312,905	915,088	117,751	507,507
Total business-type activities	<u>3,347,043</u>	<u>4,519,895</u>	<u>4,215,365</u>	<u>4,819,527</u>
Total primary government	5,730,130	8,903,603	6,488,192	11,033,643
Program Revenues - continued				
Net (expense) / revenue				
Governmental activities	(2,829,621)	(1,145,377)	(3,968,052)	(406,633)
Business-type activities	<u>265,566</u>	<u>1,030,988</u>	<u>452,244</u>	<u>732,900</u>
Total primary government	<u>\$ (2,564,055)</u>	<u>(114,389)</u>	<u>(3,515,808)</u>	<u>326,267</u>

General Revenue and Other Changes in Net Assets

Governmental activities:

Taxes

Property taxes	\$ 1,669,521	1,628,333	1,946,627	2,215,921
General sales and use tax	1,179,770	1,283,013	1,342,693	1,576,348
Franchise tax	447,092	414,877	583,867	637,482
Energy use tax	205,074	262,635	273,371	363,841
Interest earnings	210,171	175,814	175,603	256,962
Gain (loss) sale of assets	-	-	(8,631)	2,151
Miscellaneous	467,401	74,675	20,924	29,088

Transfers

	<u>(163,729)</u>	<u>(2,234,855)</u>	<u>(217,751)</u>	<u>(244,273)</u>
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Total governmental activities

	<u>4,015,300</u>	<u>1,604,492</u>	<u>4,116,703</u>	<u>4,837,520</u>
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Business-type activities:

Interest earnings	20,126	18,279	43,123	81,847
Gain (loss) sale of assets	-	-	-	(11,187)
Miscellaneous	(8,994)	18,948	-	-
Transfers	<u>163,729</u>	<u>2,234,855</u>	<u>217,751</u>	<u>244,273</u>

Total business-type activities

	<u>174,861</u>	<u>2,272,082</u>	<u>260,874</u>	<u>314,933</u>
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Total primary government

	<u>\$ 4,190,161</u>	<u>3,876,574</u>	<u>4,377,577</u>	<u>5,152,453</u>
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Change in Net Assets

Governmental activities	\$ 1,185,679	459,115	148,651	4,430,887
Business-type activities	<u>440,427</u>	<u>3,303,070</u>	<u>713,118</u>	<u>1,047,833</u>
Total primary government	<u>\$ 1,626,106</u>	<u>3,762,185</u>	<u>861,769</u>	<u>5,478,720</u>

FARMINGTON CITY CORPORATION

Governmental Activities Tax Revenue by Source

Last Four Fiscal Years

(accrual basis of accounting)

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Energy Use Tax</u>	<u>Total Tax Revenue</u>
2003	1,669,521	1,179,770	447,092	205,074	3,501,457
2004	1,628,333	1,283,013	414,877	262,635	3,588,858
2005	1,946,627	1,342,693	583,867	273,371	4,146,558
2006	2,215,921	1,576,348	637,482	363,841	4,793,592

FARMINGTON CITY CORPORATION

Fund Balances of Governmental Funds

Last Four Fiscal Years

(modified accrual basis of accounting)

	Fiscal Years			
	2003	2004	2005	2006
General fund				
Reserved	\$ 32,106	172,653	-	76,981
Unreserved	663,811	935,937	1,148,341	1,132,238
Total general fund	695,917	1,108,590	1,148,341	1,209,219
All other govenmental funds				
Reserved	-	-	-	2,620
Unreserved				
Special revenue funds	838,554	811,509	831,547	847,261
Debt service funds	249,668	276,297	179,573	274,349
Capital projects funds	1,735,152	537,509	696,382	2,419,700
Permanent fund	208,677	230,994	259,252	285,067
Total all other govenmental funds	\$ 3,032,051	1,856,309	1,966,754	3,828,997

FARMINGTON CITY CORPORATION
Changes in Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Years			
	2003	2004	2005	2006
<u>Revenues:</u>				
Taxes	\$3,317,534	3,695,881	4,045,347	4,423,145
Special assessments	55,305	32,845	21,430	1,093,111
Leases	429,957	432,176	433,197	420,857
Licenses and permits	302,726	502,679	550,084	785,708
Intergovernmental	535,618	770,488	517,716	765,761
Charges for services	249,213	176,826	231,144	384,605
Impact fees	304,722	577,537	534,298	1,235,366
Fines and forfeitures	214,895	258,986	242,946	229,142
Interest	69,805	42,656	56,424	161,105
Miscellaneous revenue	368,212	82,309	94,488	113,238
Contributions	91,099	1,997,867	101,645	310,898
Total revenues	<u>5,939,086</u>	<u>8,570,250</u>	<u>6,828,719</u>	<u>9,922,936</u>
<u>Expenditures:</u>				
Current:				
General government	1,023,540	802,951	804,476	871,338
Public safety	1,244,559	1,361,280	1,460,340	1,599,474
Highways and public works	483,893	492,613	505,222	549,641
Community development	425,914	512,563	598,105	816,952
Parks and cemetery	439,130	410,934	468,144	474,091
Capital outlay	2,108,917	5,369,245	2,413,883	1,485,920
Debt service:				
Principal retirement	628,441	715,655	1,633,270	1,885,959
Interest and fiscal charges	353,465	386,670	373,661	360,598
Total expenditures	<u>6,707,859</u>	<u>10,051,911</u>	<u>8,257,101</u>	<u>8,043,973</u>
Excess (deficiency) revenues over (under) expenditures	<u>(768,773)</u>	<u>(1,481,661)</u>	<u>(1,428,382)</u>	<u>1,878,963</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds of bonds	2,202,765	780,151	2,391,083	312,476
Payment to refunding bonds escrows	-	-	(749,088)	-
Bond issuance costs	(51,487)	-	(12,572)	(26,196)
Proceeds from sale of fixed assets	123,800	81,987	209,888	2,151
Transfers in	620,682	698,577	1,056,939	1,580,607
Transfers (out)	<u>(784,411)</u>	<u>(885,105)</u>	<u>(1,274,690)</u>	<u>(1,824,880)</u>
Total other financing sources (uses)	<u>2,111,349</u>	<u>675,610</u>	<u>1,621,560</u>	<u>44,158</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>1,342,576</u>	<u>(806,051)</u>	<u>193,178</u>	<u>1,923,121</u>
Fund balances - beginning of year	<u>2,385,392</u>	<u>3,727,968</u>	<u>2,921,917</u>	<u>3,115,095</u>
Fund balances - end of year	<u>\$3,727,968</u>	<u>2,921,917</u>	<u>3,115,095</u>	<u>5,038,216</u>
Debt service as a percentage of noncapital expenditures	9.37%	7.12%	19.78%	23.45%

FARMINGTON CITY CORPORATION

General Governmental Tax Revenue by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	General Property Tax	Sales Tax	Energy Use Tax	Franchise Tax	Total Tax Revenue
1997	648,328	1,100,121	-	369,954	2,118,403
1998 (1)	657,465	1,126,025	156,449	246,432	2,186,371
1999	819,380	1,119,604	155,719	252,626	2,347,329
2000	971,885	1,224,412	162,358	258,114	2,616,769
2001	1,078,540	1,252,080	224,740	357,170	2,912,530
2002	1,158,043	1,375,352	210,330	421,526	3,165,251
2003	1,485,598	1,179,770	205,074	447,092	3,317,534
2004	1,735,356	1,283,013	262,635	414,877	3,695,881
2005	1,845,416	1,342,693	273,371	583,867	4,045,347
2006	1,845,474	1,576,348	363,841	637,482	4,423,145

Includes General, Special Revenue, and Debt Service Funds.

(1) Energy Use Tax Imposed; Franchise tax rate reduced.

Farmington City Corporation
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Total Assessed Taxable Value (in thousands) (1)	Estimated Actual Value (in thousands)	Ratio of Taxable to Estimated Actual Value	Total Direct Tax Rate
1996-97	\$ 316,682	\$ 437,574	72.37%	0.1942%
1997-98	362,047	517,764	69.93%	0.1686%
1998-99	402,460	657,526	61.21%	0.1523%
1999-00	429,930	713,510	60.26%	0.1578%
2000-01	463,518	746,934	62.06%	0.1744%
2001-02	504,613	796,627	63.34%	0.1709%
2002-03	534,575	834,032	64.10%	0.2160%
2003-04	541,593	879,036	61.61%	0.2443%
2004-05	574,376	916,830	62.65%	0.2336%
2005-06	610,167	1,020,535	59.79%	0.2149%

Sources: Davis County Auditor's Office
Utah State Tax Commission

1 - The formula for assessing property taxes changed during the 1986 tax year. Taxable value is now 55% of market value for residential property and 100% for commercial property.

FARMINGTON CITY CORPORATION
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Farmington City Rate	Davis School Rate	Davis County Rate	Total Special Districts 1	Total Levy for Farmington City
1997	0.1942%	0.7408%	0.2848%	0.1627%	1.3825%
1998	0.1686%	0.7604%	0.2648%	0.7984%	2.0178%
1999	0.1523%	0.7393%	0.1833%	0.2732%	1.3644%
2000	0.1578%	0.7370%	0.1769%	0.1553%	1.2270%
2001	0.1744%	0.7513%	0.1710%	0.1517%	1.2484%
2002	0.1709%	0.7600%	0.1664%	0.1492%	1.2465%
2003	0.2160%	0.7731%	0.1954%	0.2037%	1.3882%
2004	0.2443%	0.7821%	0.1948%	0.1524%	1.3736%
2005	0.2336%	0.7684%	0.1921%	0.1477%	1.3418%
2006	0.2149%	0.7305%	0.1739%	0.1351%	1.2544%

Source: Davis County Auditor's Office

Percentages are applied to the taxable value of property as stated.

1 - Special districts includes a tax levy for only part of City connected to Benchland water.

FARMINGTON CITY CORPORATION
Principal Taxpayers

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lagoon Investment Corporation	\$ 21,633,470	1	3.55%	5,571,470	1	1.27%
Smith's Food King Properties	5,600,802	2	0.92%	4,083,050	4	0.93%
Qwest Communication	5,501,637	3	0.90%			
Ivy Properties LLC	4,440,910	4	0.73%			
Pacificorp	4,311,188	5	0.71%			
Sixty-Four Associates	4,253,630	6	0.70%			
Asay-Miller Properties, LLC	3,819,280	7	0.63%			
Viking Real Estate	2,902,830	8	0.48%			
Rose Cove Senior Housing LP	2,791,537	9	0.46%			
Oakridge Golf & Country	2,720,794	10	0.45%	3,375,010	6	0.77%
US West Communication				5,144,340	2	1.18%
Paul & Elanor Sade - trustees				4,148,630	3	0.95%
Holly and Ivy Company LC				3,873,920	5	0.89%
Pacificorp				2,395,230	7	0.55%
Marsha Kirton Derrick				1,591,690	8	0.36%
Boyer Medical Surgical Assoc				1,385,760	9	0.32%
Worldcom					10	0.29%
Totals	<u>\$ 57,976,078</u>		<u>9.50%</u>	<u>31,569,100</u>		<u>7.51%</u>

Sources: Davis County Assessor's Office
Davis County Auditor's Office

FARMINGTON CITY CORPORATION

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections of Previous Years Tax Levy	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996 -97	\$ 533,925	\$ 511,163	95.74 %	\$ 19,709	\$ 530,872	99.43 %
1997 -98	551,397	528,847	95.91	18,830	547,677	99.33
1998 -99	635,082	611,353	96.26	21,243	632,596	99.61
1999 -00	758,827	718,511	94.69	23,126	741,637	97.73
2000 -01	808,376	759,689	93.98	28,387	788,076	97.49
2001 -02	862,384	786,028	91.15	30,813	816,841	94.72
2002 -03	1,154,682	1,073,812	93.00	59,027	1,132,839	98.11
2003 -04	1,277,306	1,211,480	94.85	65,343	1,276,823	99.96
2004 -05	1,343,492	1,280,295	95.30	66,343	1,346,638	100.23
2005 -06	1,387,547	1,312,994	94.63	39,704	1,352,698	97.49

Source: Davis County Auditor's Office

FARMINGTON CITY CORPORATION

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General		Special		Revenue Bonds	Capital Leases	Revenue Bonds	Capital Leases			
	Obligation Bonds	Revenue Bonds	Assessment Bonds								
1996-97	\$ 2,025,000	\$ 4,964,000	\$ 24,000	\$ 43,005	\$ 682,950	\$ -			\$ 7,738,955	0.1593%	\$ 689.81
1997-98	1,896,000	4,734,000	12,000	22,037	591,726	85,815			7,341,578	0.1404%	636.63
1998-99	1,795,000	4,839,000	-	-	504,090	66,008			7,204,098	0.1305%	609.64
1999-00	1,688,000	4,501,000	-	168,424	415,021	116,291			6,888,736	0.1144%	570.21
2000-01	1,574,000	4,149,000	258,441	422,360	326,000	79,946			6,809,747	0.1085%	548.82
2001-02	1,453,000	5,489,000	258,441	353,316	245,000	641,603			8,440,360	0.1301%	649.46
2002-03	3,225,000	5,005,000	242,000	570,000	570,000	66,058			9,678,058	0.1443%	721.81
2003-04	3,005,000	4,538,000	221,000	675,601	1,201,000	665,420			10,306,021	0.1412%	741.97
2004-05	2,765,000	4,811,065	198,000	258,328	258,328	92,919			8,383,640	na	583.94
2005-06	2,515,000	4,226,680	486,476	126,462	1,147,320	252,414			8,754,352	na	591.51

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. See table 15 for personal income and population data.

FARMINGTON CITY CORPORATION

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1997	\$ 2,025,000	\$ 14,615	\$ 2,010,385	0.4594%	179.19
1998	1,896,000	19,887	1,876,113	0.3623%	162.69
1999	1,795,000	11,600	1,783,400	0.2712%	150.92
2000	1,688,000	6,859	1,681,141	0.2356%	139.16
2001	1,574,000	8,002	1,565,998	0.2097%	126.21
2002	1,453,000	8,210	1,444,790	0.1814%	111.17
2003	3,225,000	10,768	3,214,232	0.3854%	239.72
2004	3,005,000	25,493	2,979,507	0.3390%	214.51
2005	2,765,000	57,284	2,707,716	0.2953%	188.60
2006	2,515,000	62,668	2,452,332	0.2403%	165.70

FARMINGTON CITY CORPORATION
Direct and Overlapping Governmental Activities Debt
June 30, 2006

<u>Name of Governmental Unit</u>	<u>Net Outstanding Debt (1)</u>	<u>Percent Applicable to Farmington</u>	<u>Amount Applicable to Farmington</u>
State of Utah	\$ 1,377,390,000	0.46%	\$ 6,335,994
Davis County School District	243,305,000	5.60%	13,625,080
Davis County	25,535,000	5.60%	1,429,960
Weber Basin Water Conservancy District	33,806,619	2.11%	713,320
Farmington City	2,515,000	100.00%	2,515,000
Total	\$ 1,682,551,619		\$ 24,619,354

(1) Source: Respective governmental units listed.
Includes general obligation bonded debt only.

FARMINGTON CITY CORPORATION
Legal Debt Margin Information
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	17,480,840	17,261,440	26,301,015	28,543,160	29,877,360	31,865,080	33,361,280	35,161,440	36,673,200	30,063,986
Total net debt applicable to limit	2,122,255	1,876,112	1,783,400	1,681,141	1,821,681	1,595,009	3,304,675	3,040,026	3,020,284	2,452,332
Legal debt margin	15,358,585	15,385,328	24,517,615	26,862,019	28,055,679	30,270,071	30,056,605	32,121,414	33,652,916	27,611,654
Total net debt applicable to the limit as a percentage of debt limit	12.14%	10.87%	6.78%	5.89%	6.10%	5.01%	9.91%	8.65%	8.24%	8.16%

Legal Debt Margin Calculation for Fiscal Year 2006

Total Assessed Actual Value	\$ 751,599,649
Debt limit - 4% of total actual value	30,063,986
Total amount of debt applicable to debt limit	2,452,332

Note: Under state finance law, the Citys outstanding general obligation debt should not exceed 4% of total assessed property value.

Legal debt margin \$ 27,611,654

FARMINGTON CITY CORPORATION

Pledged Revenue Coverage

Last Ten Fiscal Years

Water and Storm Sewer Bonds

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	706,909	553,946	152,963	96,633	12,652	109,285	1.40
1998	680,398	581,892	98,506	91,224	35,699	126,923	0.78
1999	839,643	568,373	271,270	89,067	4,805	93,872	2.89
2000	914,363	598,718	315,645	89,069	7,246	96,315	3.28
2001	882,417	626,508	255,909	89,021	4,792	93,813	2.73
2002	877,021	684,692	192,329	81,000	4,761	85,761	2.24
2003	1,173,823	802,770	371,053	82,000	3,260	85,260	4.35
2004	1,303,655	735,947	567,708	83,000	1,630	84,630	6.71
2005	2,049,930	1,173,030	876,900	177,000	43,682	220,682	3.97
2006	2,186,582	1,294,531	892,051	120,320	51,349	171,669	5.20

Special Assessment Bonds

Fiscal Year	Special Assessment Collections	Debt Service Requirements			Coverage	
		Principal	Interest	Total		
1997	3,294	12,000	3,110	15,110	0.22	
1998	1,890	12,000	1,818	13,818	0.14	
1999	1,480	12,000	888	12,888	0.11	
2000	-	-	-	-	-	
2001	2,607	-	-	-	-	3
2002	51,628	-	-	-	-	3
2003	55,305	16,441	18,005	34,446	1.61	
2004	32,845	21,000	13,310	34,310	0.96	
2005	21,430	23,000	12,155	35,155	0.61	
2006	64,081	24,000	10,890	34,890	1.84	4

1 - Includes operating and non-operating revenues

2 - Includes operating and non-operating expenses excluding depreciation

3 - Special assessment bonds (series 2001) issued no payments required in these fiscal years

4 - Special assessment bonds (series 2005) issued no payments required in first fiscal year

FARMINGTON CITY CORPORATION

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (Amounts Expressed In Thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1997	11,219	\$ 4,856,899	\$ 21,599	21.8	na	2.9
1998	11,532	5,230,825	22,650	21.8	na	3.4
1999	11,817	5,521,540	23,405	21.8	na	3.4
2000	12,081	6,023,527	25,066	21.8	na	2.9
2001	12,408	6,276,070	25,693	21.8	3,243	3.8
2002	12,996	6,486,016	26,024	21.8	3,207	5.0
2003	13,408	6,705,771	26,265	21.8	3,395	5.3
2004	13,890	7,296,653	27,914	21.8	3,523	4.8
2005	14,357	na	na	21.8	3,597	4.1
2006	14,800	na	na	21.8	3,639	2.9

Data Sources:

Population: US Census Bureau (2006 is City estimate)

Personal Income: US Bureau of Economic Analysis - Davis County

Per Capita Personal Income: US Bureau of Economic Analysis - Davis County

Median Age: Estimated based on 2000 United States Census Information

School Enrollment: Davis County School District

Unemployment Rate: Utah Department of Workforce Services (Davis County)

na = information not available.

Note: Personal income information and per capital information are totals for the year and based on totals for Davis County in its entirety. Unemployment rate information is an adjusted yearly average for Davis County. School enrollment is based on the census at the start of the school year.

FARMINGTON CITY CORPORATION

Principal Employers

Current Year and Nine Years Ago

Employer	2006			1997		
	Estimated Number of Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Davis School District	700 - 1000	1	na	Unavailable		
Davis County	400-600	2	na	Unavailable		
Lagoon Corporation	250-500	3	na	Unavailable		
Cornerstone Nutritional Labs	100-249	4	na	Unavailable		
Farmington City	100-249	5	na	Unavailable		
Smiths Food & Drug Centers	50-99	6	na	Unavailable		
Northwest Sales Co.	50-99	7	na	Unavailable		
State of Utah	50-99	8	na	Unavailable		
Several employers with 20-49 employees		9	na	Unavailable		
		10	na	Unavailable		

Source: www.jobs.utah.gov/jobseekers-firmfind-largest-companies-Davis-County-download

Range of employees is all that is available

Includes full time, part time, and seasonal employees

FARMINGTON CITY CORPORATION

Full-time Equivalent City Government Employees By Function

Function	<u>2006</u>
General Government	7
Public Safety	
Police	
Officers	12
Civilians	3
Fire	
Firefighters & Officers	20
Civilians	0.5
Highways and Streets	
Maintenance	3
Sanitation	1
Community Development	6
Parks & Cemetery	4
Water	7
Sewer	1
Storm Water	2
Leisure Services	4
Total Employees	<u><u>70.5</u></u>

Source: City finance department

FARMINGTON CITY CORPORATION

Operating Indicators by Function

Last Ten Fiscal Years

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Recreation and culture										
Libraries	1	1	1	1	1	1	1	1	1	1
Number of Volumes	67,700	67,700	67,750	67,800	67,850	68,000	71,705	71,705	71,766	72,000
Youth in Recreation program	2,032	2,445	2,562	2,562	2,562	3,085	3,200	3,300	3,400	3,400
Public works										
Building permits issued	171	230	208	247	213	213	296	296	373	401
Water										
New connections										
Utility customers	2,844	2,855	2,963	3,198	3,282	3,350	3,595	3,715	3,923	4,101
Average daily consumption	1,147,648	1,096,222	1,096,222	1,243,977	1,117,705	1,147,879	1,490,000	2,129,000	2,600,000	3,400,000

FARMINGTON CITY CORPORATION

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	53	53	53	55	58	62	62	65	72	75
Streetlights	370	370	370	339	339	350	350	385	515	551
Recreation										
Parks acreage										
Parks	7	7	9	54.00	54.00	54.00	65	65	65	65
Boweries	4	4	4	4	4	4	10	10	10	10
Tennis courts	6	6	6	6	6	6	6	6	6	6
Soccer fields	7	7	6	6	6	6	6	6	6	6
Baseball/Softball diamonds	8	6	3	3	3	3	3	3	3	3
Swimming pools	1	1	1	1	1	1	1	1	1	1
Community centers	-	-	-	-	-	-	-	-	-	-
Water										
Water mains (miles)	52	54	54	58	61	61	70	75	75	85
Fire hydrants	na	na	na	na	na	na	na	na	na	922
Maximum daily capacity	na	na	na	na	na	na	na	na	na	6,800
Average daily consumption (1,000 gallons)	1,146	1,096	1,096	1,244	1,117	1,147	1,500	2,129	2,129	3,400

Sources: Various city departments
na = not available

OTHER REPORTS

Ulrich & Associates, PC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor & Members of the City Council
Farmington, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation, as of and for the year ended June 30, 2006, which collectively comprise Farmington City Corporation's basic financial statements and have issued our report thereon dated November 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

As part of obtaining reasonable assurance about whether Farmington City Corporation's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Farmington City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Farmington City Corporation, in a separate letter dated November 9, 2006.

This report is intended for the information of the city council, management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Ulrich & Associates, P.C.

November 9, 2006

Members of Utah Association of CPAs | American Institute of CPAs

Charles E. Ulrich, CPA | Michael E. Ulrich, CPA
Cathie Hurst, CPA | Heather Christopherson, CPA
website] www.ulrichcpa.com

4991 South Harrison | Ogden, Utah 84403
Tel] 801.627.2100 | Fax] 801.475.6546
email] ulrich@ulrichcpa.com

Ulrich & Associates, PC

Certified Public Accountants

STATE LEGAL COMPLIANCE REPORT

Honorable Mayor and Members of the City Council
Farmington City Corporation
Farmington, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Farmington City Corporation for the year ended June 30, 2006, and have issued our report thereon dated November 9, 2006. As part of our audit, we have audited Farmington City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Liquor Law Enforcement
Cash Management	B and C Roads Funds
Purchasing Requirements	Other General Compliance Issues
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation & Property	Impact Fees and Other Development Fees
Tax Limitations	

The management of Farmington City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Farmington City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Ulrich & Associates, P.C.

November 9, 2006

FARMINGTON CITY CORPORATION
SCHEDULE OF FINDINGS
STATE LEGAL COMPLIANCE

FINDINGS

1. **Other General Compliance - Maximum Fund Balance**

The General Fund exceeds the maximum fund balance allowed by state law by \$134,820

Management Response

The excess fund balance will be budgeted into the coming year for capital projects and equipment.



FARMINGTON CITY

SCOTT C. HARBERTSON
MAYOR

PAULA ALDER
RICK DUTSON
DAVID S. HALE
LARRY W. HAUGEN
SID YOUNG
CITY COUNCIL

MAX FORBUSH
CITY MANAGER


February 13, 2007

MacRay A. Curtis
Office of the State Auditor
East Office Building Suite E310
Salt Lake City UT 84114-2310

RE: Corrective Action Plan for Fund Balance Limitations.

The corrective action that the City has taken to comply with the General Fund balance limitations, is first the budget that was adopted for fiscal year 2007 in June of 2006 reduces the General Fund balance by about \$416,000.00, which will bring the balance into compliance. Also the monitoring of revenues and expenditures throughout the year to ensure that the fund balance does come into compliance. The action plan will be completed by June 30, 2007, and future revenues and expenditures will be closely monitored to ensure that the General Fund balance stays below the State limits. Max Forbush, City Manager and Keith Johnson, Finance Director will follow this plan through.

Sincerely,



Mayor Scott C. Harbertson